



## Transcript Exhibit(s)

Docket #(s): W-0431A-09-0360

W-01431A-09-0361

Exhibit #: A1-A4, S1-S4

AZ CORP COMMISSION  
DOCKET CONTROL

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Arizona Corporation Commission

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ORIGINAL

NEW APPLICATION

EXHIBIT

A-1

ADMITTED

01276

Steve Wene, No. 019630  
MOYES SELLERS & SIMS LTD.  
1850 N. Central Avenue, Suite 1100  
Phoenix, Arizona 85004  
(602)-604-2189  
Attorneys for Valle Verde Water Company

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AZ CORP COMMISSIONER  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

Arizona Corporation Commission

KRISTIN K. MAYES, CHAIRMAN  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

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JUL 17 2009

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W-01431A-09-0360

APPLICATION OF ESTATE OF  
WILLIAM F. RANDALL DBA VALLE  
VERDE WATER COMPANY FOR AN  
INCREASE IN ITS WATER RATES

Docket No. W-01431A-09-

**RATE APPLICATION**

The Estate of William F. Randall, dba Valle Verde Water Company ("Company" or "Applicant"), hereby applies for an increase in its water rates.

**PRELIMINARY STATEMENT**

In late 2007, the Arizona Corporation Commission ("Commission") appointed Southwestern Utility Management, Inc. ("Southwestern") to serve as the interim manager to address numerous financial, operational, and managerial issues. One of the primary issues facing the Company then and now is that the source water for Well Nos. 1, 2, and 7 is contaminated with Volatile Organic Chemicals (VOCs) and cannot be utilized.

1 Meanwhile, the source water for Well Nos. 5 and 6 needs to be treated due to high  
2 arsenic levels, which fluctuate between 9 and 13 ppb. Until recently, the Company had to  
3 purchase water from the City of Nogales at a cost that exceeded what the Company could  
4 charge its customers, thereby causing the Company to incur substantial debt.  
5

6 During the past year, Southwestern has been working with the Commission, the  
7 Arizona Department of Environmental Quality, and various engineers to assess the  
8

9 system, identify its needs, and secure financing to address those needs. The Company  
10 believes it will require an estimated \$1,063,478.00 as determined by engineers who  
11 evaluated the systems to make the necessary improvements. See Exhibit 1. The  
12 Company has already applied to the Water Infrastructure Finance Authority ("WIFA")  
13 for a loan and WIFA placed the Company on its Drinking Water Revolving Fund Priority  
14 List.  
15

#### 16 **SUPPORTING DOCUMENTATION**

17 Pursuant to A.A.R. Rule 14-2-103, the Company submits the following  
18 documentation in support of the proposed increase in rates and charges:  
19

- 20 • Direct Testimony of Sonn S. Rowell (see Exhibit 2);
  - 21 • Required Schedules, Statements, and Documentation (see Exhibit 3);
  - 22 • Water Use Data Sheets (see Exhibit 4);
  - 23 • Plant Descriptions (see Exhibit 5);
  - 24 • ADEQ Compliance Status Report (see Exhibit 6); and
  - 25 • Monitoring Assistance Program Sampling Fee Invoice (see Exhibit 7).
- 26  
27  
28

1 RESPECTFULLY SUBMITTED this 17th day of July, 2009.

2  
3 MOYES SELLERS & SIMS

4 

5 Steve Wene

6 Attorneys for Valle Verde Water Company

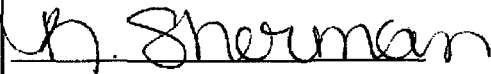
7  
8 Original and 13 copies of the foregoing  
filed this 17th day of July, 2009, with:

9  
10 Docket Control  
11 Arizona Corporation Commission  
12 1200 West Washington  
Phoenix, Arizona 85007

13 Copy of the foregoing mailed this  
14 17<sup>th</sup> day of July, 2009, to:

15 Janice Alward, Chief Counsel  
16 Legal Division  
17 Arizona Corporation Commission  
18 1200 W. Washington Street  
Phoenix, Arizona 85007

19 Ernest Johnson, Director  
20 Utilities Division  
21 Arizona Corporation Commission  
22 1200 West Washington Street  
Phoenix, Arizona 85007

23  
24 

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# EXHIBIT 1

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# OPINION OF PROBABLE COSTS - RATE INCREASE

30-Mar-09

WIFA TAG - Capital Improvements Plan  
Valle Verde Water Company

Item No	Item Description	Unit	Quantity	Unit Cost	Extended Cost	Notes
	<b>Remove and Replace 2-inch Distribution Mains with 6-inch Mains</b>					
1	Mobilization Demobilization	LS	1	\$ 20,000.00	\$ 20,000.00	
2	New 6-Inch Class 200 PVC Pipe	LF	1500	\$ 55.00	\$ 82,500.00	
3	New 6-Inch Gate Valve Assembly	EA	3	\$ 2,500.00	\$ 7,500.00	
4	New 1/2" Air Release Valve Assembly	EA	3	\$ 1,500.00	\$ 4,500.00	
	<b>Interconnect Well #4 to Well #2</b>					
5	New 6-Inch Class 200 PVC Pipe	LF	1500	\$ 30.00	\$ 45,000.00	
6	New 6-Inch Gate Valve Assembly	EA	3	\$ 2,500.00	\$ 7,500.00	
7	New 1/2" Air Release Valve Assembly	EA	3	\$ 1,500.00	\$ 4,500.00	
	<b>Install PRV Station</b>					
8	PRV Station	EA	2	\$ 10,000.00	\$ 20,000.00	
	<b>Install Arsenic Treatment System</b>					
9	Treatment System 450-500 gpm)	EA	1	\$ 300,000.00	\$ 300,000.00	
10	Site Electrical	EA	1	\$ 22,500.00	\$ 22,500.00	
11	Shade Structure	EA	1	\$ 17,500.00	\$ 17,500.00	
	<b>Plug and Abandon Wells</b>					
12	Plug and Abandon Wells	LS	1	\$ 10,000.00	\$ 10,000.00	
	<b>Miscellaneous Pipe Replacement</b>					
13	Mobilization Demobilization	LS	1	\$ 20,000.00	\$ 20,000.00	
14	New 6-Inch Class 200 PVC Pipe	LF	500	\$ 55.00	\$ 27,500.00	
15	New 6-Inch Gate Valve Assemble	EA	1	\$ 2,500.00	\$ 2,500.00	
16	New 1/2" Air Release Valve Assembly	EA	1	\$ 1,500.00	\$ 1,500.00	
	<b>Relocate Main and Service Lines to Public R-O-W</b>					
17	New 6-Inch Class 200 PVC Pipe	LF	1200	\$ 55.00	\$ 66,000.00	
18	New 6-Inch Gate Valve Assemble	EA	2	\$ 2,500.00	\$ 5,000.00	
19	New 1" Service Line and Appurtenances	EA	25	\$ 1,250.00	\$ 31,250.00	
20	Sawcut, Remove and Replace Pavement/Sidewalk	SY	500	\$ 40.00	\$ 20,000.00	
	<b>New Water Service Lines</b>					
21	New 1" Service Line and Appurtenances	EA	25	\$ 1,250.00	\$ 31,250.00	
	<b>Replace Water Meters</b>					
22	New 1" Lockable Water Meter	EA	25	\$ 300.00	\$ 7,500.00	
	<b>Install Fire Hydrant Locks</b>					
23	New 1" Lockable Water Meter	EA	10	\$ 500.00	\$ 5,000.00	
	<b>Water Model Calibration and Maintenance</b>					
24	Site Visits (2 per year)	EA	2	\$ 900.00	\$ 1,800.00	
25	Fire Flow Tests	EA	2	\$ 900.00	\$ 1,800.00	
26	Model Calibration	EA	2	\$ 1,000.00	\$ 2,000.00	
	<b>System Map Maintenance</b>					
27	Site Visits (3 per year)	EA	3	\$ 900.00	\$ 2,700.00	
					<b>\$ 767,300.00</b>	
	Administration and Legal Expenses	2% of Construction Cost		\$	15,346.00	
	Land, Structures, and Right-Of-Way	NA		\$	-	
	Relocations	NA		\$	-	
	Arch and Engineering Fees	8% of Construction Cost		\$	61,384.00	
	Other A and E Fees (Survey, Geotech, etc)	2% of Construction Cost		\$	15,346.00	
	Project Inspection Fees	3.5% of Construction Cost		\$	26,855.50	
	Subtotal			\$	886,231.50	
	Contingencies, 20%			\$	177,246.30	
	<b>Total Project Costs</b>				<b>\$ 1,063,478.00</b>	

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# EXHIBIT 2

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1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2

3   **COMMISSIONERS**

4   KRISTIN K. MAYES, CHAIRMAN  
5   GARY PIERCE  
6   PAUL NEWMAN  
7   SANDRA D. KENNEDY  
8   BOB STUMP

9   APPLICATION OF ESTATE OF  
10   WILLIAM F. RANDALL DBA VALLE  
11   VERDE WATER COMPANY FOR AN  
12   INCREASE IN ITS WATER RATES

**DIRECT TESTIMONY OF  
SONN S. ROWELL**

13

14   **Q-1   Please state your name and current employment position:**

15   **A-1   My name is Sonn S. Rowell, and I am a Certified Public Accountant and**  
16           managing member of Desert Mountain Analytical Services PLLC.  
17

18   **Q-2   Describe your educational and professional background:**

19   **A-2   I have a Bachelor of Science Degree in Accounting from Arizona State University,**  
20           as well as my CPA certification from the Arizona State Board of Accountancy. I  
21           have worked for many years in the practice of public accounting, and have held  
22           part-time teaching positions at Mesa Community College. After employment with  
23           the Utilities Division of the Arizona Corporation Commission for four years, I  
24           started DMAS and now specialize in regulatory accounting and consulting.  
25  
26  
27  
28



1 **Q-3 By whom are you employed and in what capacity?**

2 **A-3** I have been retained by Valle Verde Water Company to perform a financial  
3 analysis of their books and records in order to prepare rate and finance  
4 applications for submittal to the Arizona Corporation Commission.  
5

6 **Q-4 What is the purpose of your testimony?**

7 **A-4** The purpose of my testimony is to present my analysis and recommendations  
8

9 concerning the development of the Company's gross revenue requirements taking  
10 into account adjusted rate base, adjusted operating income, working capital  
11 requirements, current rate of return, required operating income required rate of  
12 return for the historic twelve month period, and other relevant factors as well as to  
13 sponsor certain exhibits in support of the rate and finance applications.  
14

15 **Q-5 Please summarize the Company's proposal.**

16 **A-5** The Company is seeking an increase in gross revenue of \$497,753, or a rate  
17 increase of 109%, for its customers to pay for needed system improvements set  
18 forth in Exhibit I of the rate application.  
19

20 **Q-6 What is the basis for your recommendation?**

21 **A-6** I analyzed the Company's records to determine its revenues and expenses during  
22 the test year ending December 31, 2008. Next, I calculated a reasonable rate in  
23 order to ensure the Company can earn sufficient revenue to pay the debt service on  
24 the proposed WIFA loan and provide adequate and reliable water service. Based  
25 upon my analysis, I have prepared the schedules in accordance with A.A.C. Rule  
26  
27  
28

1 14-2-103 that are set forth in Application Exhibit 3, which I adopt as part of my  
2 testimony.  
3

4 **Q-7 To calculate the revenue requirement, did you apply the typical rate of return**  
5 **method?**

6 **A-7** No. I calculated the revenue requirement based upon operating margin as opposed  
7 to the typical rate of return method. Using typical ratemaking methods, relying  
8 ~~solely upon the operating income and rate of return would produce only \$62,022~~

9 of operating income. However, the interest expense is projected to be \$53,636  
10 annually, so this scenario of determining the revenue requirement would only  
11 produce \$8,386 of net income.  
12

13 **Q-8 Why did you feel your approach is warranted?**  
14

15 **A-8** Several factors affected my decision on how to calculate the revenue requirement,  
16 and to include lines 9 through 12 on the Schedule A-1:  
17

- 18 • First, the Company is currently in a precarious financial position. Per  
19 Schedule E-2, it has lost in excess of \$600,000 over the past three years,  
20 and is on course to lose money again this year.  
21
- 22 • Second, the Company is held in the estate of William F. Randall for now,  
23 and as a result, does not have an owner, per se, to inject capital. As  
24 reflected on Schedule E-1, the Company has substantial negative equity,  
25 also for several years. I do not anticipate that situation changing in the near  
26 future, which leaves the Company fewer options for urgent, short-term  
27 financing.  
28

- Third, as delineated on Schedule E-1, the Company has a substantial amount of Advances in Aid of Construction. There are large repayment amounts due each year that must be considered in the final operating income amount so those obligations can be met.
- Finally, Schedule E-1 shows the increasing balance in Accounts Payable. Without the additional operating income produced by the operating margin

method, the Company would never be able to get current with its vendors, which could result in other complications.

**Q-9 Regarding Application Schedule A-2, why do you state that the ratios (7-15) are not meaningful?**

**A-9** Due to the substantial amount of negative equity, the ratio amounts are negative, and therefore, not meaningful.

**Q-10 Regarding Application Schedule B-2, please explain the proforma plant adjustment for \$1,063,478.**

**A-10** The Company has simultaneously submitted a financing application to borrow money from WIFA to make substantial plant replacements and upgrades, including arsenic treatment, as detailed in the financing application and Application Exhibit 1.

**Q-11 Regarding Application Income Statement C-1, why was the adjustment (A) to metered water revenue for \$11,928 made?**

**A-11** An emergency surcharge in the amount of \$1.73 per 1,000 gallons went into effect with the February 2008 billing. The adjustment reflects the amount of revenue the surcharge would have generated had it been in effect in January of 2008.

1 **Q-12 In that same statement, why was rate case expense increased by \$8,333?**

2 **A-12** Expenses related to this rate case and the associated financing application are  
3  
4 estimated to be at least \$25,000 to \$30,000. The adjustment is based upon  
5 \$25,000 amortized over three years.

6 **Q-13 What are factors in the \$39,214 adjustment to depreciation expense?**

7 **A-13** The adjustment is comprised of two things. Revised proposed depreciation rates  
8  
9 based upon Staff's standard recommended rates, and proforma depreciation  
10 expense for the plant improvements to be constructed with the proceeds of the  
11 WIFA loan.

12  
13 **Q-14 Is there an exception to the normal Staff approved rates?**

14 **A-14** Yes, as reflected on the Utility Plant in Service and Depreciation Expense  
15 Schedule that is part of the financing application, the depreciation rate of 3.61%  
16 for account 330 - Distribution Reservoirs and Standpipes, is an average.

17  
18 **Q-15 Can you explain why this average was used for this account?**

19 **A-15** Yes. Staff now separates account 330 into account 330.1 – Storage Tanks, with a  
20 depreciation rate of 2.22%, and account 330.2 – Pressure Tanks, with a  
21 depreciation rate of 5.00%. Due to the fact that the Company does not have  
22 information to determine how the total in account 330 of \$366,501 should be  
23 allocated between the 330.1 and 330.2, the average of the two depreciation rates  
24 was used as the Company proposed rate for account 330.  
25  
26  
27  
28

1 **Q-16 Adjustment D increases interest expense by \$52,452, please explain.**

2 **A-16** The WIFA loan of \$1,063,478 is amortized over a 20 year term at 5% interest. As  
3  
4 the final terms of the loan have yet to be determined, these amounts are estimates.

5 **Q-17 Why do you not anticipate any additional capital investments from the**  
6  
7 **owners of Valle Verde?**

8 **A-17** The Company, for many years, operated as a sole proprietorship owned by

9 William F. Randall. Upon his passing, the company became part of his estate, and  
10  
11 is currently involved in litigation. Until the ownership issues are settled, no  
12  
13 investments are anticipated to be made by the parties involved.  
14  
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# EXHIBIT 3

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## INDEX OF SCHEDULES FOR CLASSES A, B, AND C UTILITIES

Summary	A-1	Computation of Increase in Gross Revenue Requirements
Schedules	A-2	Summary Results of Operations
	A-3	Summary of Capital Structure (A&B only)
	A-4	Construction Expenditures and Gross Utility Plant In Service
	A-5	Summary Changes in Financial Position (A&B only)
Rate Base	B-1	Summary of Original Cost and RCND
Schedules	B-2	Original Cost Rate Base Proforma Adjustments
	B-3	RCND Rate Base Pro forma Adjustments
	B-4	RCND by Major Plant Accounts
	B-5	Computation of Working Capital
Income Stmt's	C-1	Adjusted Test Year Income Statement
	C-2	Income Statement Proforma Adjustments
	C-3	Computation of Gross Revenue Conversion Factor
Cost of Capital	D-1	Summary Cost of Capital
	D-2	Cost of Long Term and Short Term Debt (A&B only)
	D-3	Cost of Preferred Stock (A&B only)
	D-4	Cost of Common Equity (A&B only)
Finan Stmt's/ Statis Analysis	E-1	Comparative Balance Sheet
	E-2	Comparative Income Statements
	E-3	Comparative Statement of changes in Financial Position (A&B only)
	E-4	Statement of Changes in Stockholders' Equity (A&B only)
	E-5	Detail of Utility Plant
	E-6	Comparative Departmental Operating Income Statements (Combo Utilities only)
	E-7	Operating Statistics
	E-8	Taxes Charged to Operations
	E-9	Notes to Financial Statements
Projections and Forecasts	F-1	Projected Income Statements - Present and Proposed Rates
	F-2	Projected Changes in Financial Position - Present and Proposed Rates (A&B only)
	F-3	Projected Construction Requirements (A&B - 3 years, C&D - 1 year)
	F-4	Assumptions Used in Developing Projections
Cost of Service Analysis	G-1 through G-7	are a "Special Requirement"
Bill Counts (separate file)	H-1	Summary of Revenues by Customer Class - Present and Proposed Rates
	H-2	Analysis of Revenues by Detailed Class of Service - Present and Proposed Rate Classes (A&B only)
	H-3	Changes In Representative Rate Schedules
	H-4	Typical Bill Analysis
	H-5	Bill Count

Valle Verde Water Company  
Test Year Ended December 31, 2008

**Schedule: A-1**  
**Title: Computation of Increase in Gross Revenue Requirements.**

Explanation:  
Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Special Reqmt	<input type="checkbox"/>

	Original Cost	RCND
1. Adjusted Rate Base	\$ 516,847 (a)	(a)
2. Adjusted Operating Income	\$ (301,837) (b)	(b)
3. Current Rate of Return	0.00%	
4. Required Operating Income	\$ 62,022	
5. Required Rate of Return	12.00%	
6. Operating Income Deficiency (4 - 2)	\$ 363,859	
7. Gross Revenue Conversion Factor	1.0528 (c)	(c)
8. Increase in Gross Revenue Requirements (6 x 7)	\$ 383,087	
9. Required amount for operating expenses	\$ 757,186	
10. Operating Margin amount	20.56%	
11. Proposed Revenue Requirement	\$ 953,101	
12. Increase in Gross Revenue Requirements	\$ 497,753	

Customer Classification	Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase	
Residential	\$ 302,452	\$ 622,554	\$ 320,101	105.84%	(d)
Commercial	152,896	330,547	177,651	116.19%	
Industrial	-	-	-		
Total	\$ 455,348	\$ 953,101	\$ 497,753	109.31%	

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

(a) B-1 (c) C-3

(b) C-1 (d) H-1



**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: A-2**  
**Title: Summary Results of Operations**

**Explanation:**

Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities ☒  
 Class A ☐  
 Class B ☐  
 Class C ☐  
 Class D ☐  
 Specl Reqmt ☐

Description	<u>Prior Years</u>		<u>Test Year</u>		<u>Projected Year</u>	
	Year End	Year End	Actual	Adjusted	Present	Proposed
	31-Dec-06	31-Dec-07	Rates	Rates	Rates	Rates
	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	\$ 256,206	\$ 295,555	\$ 443,420	\$ 455,348	\$ 455,348	\$ 953,101
2. Revenue Deductions & Operating Expenses	(364,095)	(537,605)	(709,638)	(757,186)	(757,186)	(757,186)
3. Operating Income	(107,889)	(242,050)	(266,218)	(301,837)	(301,837)	195,915
4. Other Income and Deductions	-	1,227				
5. Interest Expense	-	-	(1,184)	(53,636)	(53,636)	(53,636)
6. Net Income	\$ (107,889)	\$ (240,823)	\$ (267,402)	\$ (355,474)	\$ (355,474)	\$ 142,279

- 7. Earned Per Average Common Share\*
- 8. Dividends Per Common Share\*
- 9. Payout Ratio\*
- 10. Return on Average Invested Capital
- 11. Return on Year End Capital
- 12. Return on Average Common Equity
- 13. Return on Year End Common Equity
- 14. Times Bond Interest Earned - Before Inc Tax
- 15. Times Total Interest and Preferred Dividends Earned - After Income Taxes

Ratios not meaningful due to negative equity amount.

**Supporting Schedules:**

- (a) E-2
- (b) C-1
- (c) F-1

\*Optional for projected year

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: A-4**  
**Title: Construction Expenditures and**  
**Gross Utility Plant in Service**

**Explanation:**  
 Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities ☒  
 Class A ☐  
 Class B ☐  
 Class C ☐  
 Class D ☐  
 Spec'l Reqmt ☐

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2006	\$ 5,179	\$ 5,179	\$ 2,392,226
2. Prior Year 2 - 2007	68,842	19,553	2,411,779
3. Test Year - 2008	425,173	446,829	2,858,608
4. Projected Year - 2009	244,731	263,029	3,121,637
5. Projected *			
6. Projected *			

**\* Required only for Class A and B Utilities**

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) F-3

(b) E-5

Valle Verde Water Company  
Test Year Ended December 31, 2008

**Schedule: B-1**  
**Title: Summary of Original Cost**  
**and RCND**

Explanation:  
Schedule showing elements of adjusted original cost  
and RCND rate bases.

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Spec'l Reqmt

X

	Original Cost	RCND
	Rate Base*	Rate Base*
1. Gross Utility Plant in Service	\$ 3,922,086	
2. Less: Accumulated Depreciation	<u>(1,461,206)</u>	
3. Net Utility Plant in Service	\$ 2,460,880 (a)	(b)
Less:		
4. Advances in Aid of Construction	1,518,730 (c)	(c)
5. Contributions in Aid of Construction	477,508 (c)	(c)
Add:		
6. Allowance for Working Capital	<u>52,205 (d)</u>	(d)
7. Total Rate Base	\$ 516,847 (e)	(e)

\* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

- (a) B-2 (d) B-5  
(b) B-3  
(c) E-1

Recap Schedules:

- (e) A-1

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Schedule: B-2**  
**Title: Original Cost Rate Base**  
**Proforma Adjustments**

Explanation:  
Schedule showing pro forma adjustments to gross plant  
in service and accumulated depreciation for the original  
cost rate base.

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Speci Reqmt

X

	<u>Actual at End</u>	<u>Pro forma</u>	<u>Adjusted at End</u>
	<u>Of Test Year (a)</u>	<u>Adjustment</u>	<u>Of Test Year (b)</u>
1. Gross Utility Plant in Service	\$ 2,858,608	\$ 1,063,478	1 \$ 3,922,086
2. Less: Accumulated Depreciation	(1,461,206)		(1,461,206)
3. Net Utility Plant in Service	\$ 1,397,402	\$ 1,063,478	\$ 2,460,880

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

1 Adjustment to include plant improvements constructed from proceeds of WIFA loan.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:  
(a) E-1

Recap Schedules:  
(b) B-1

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: B-5  
Title: Computation of Working  
Capital

Explanation:  
Schedule showing computation of working capital allowance.

Required for:	All Utilities	<input checked="checked" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

	Amount
1. Cash working capital	
1/24th Purchased Power	\$ 1,592
1/24th Purchased Water	7,798
1/8th Operation & Maintenance Expense	42,815
2. Materials and Supplies Inventories	- (a)
3. Prepayments	- (a)
4. Total Working Capital Allowance	\$ 52,205 (b)

NOTES:

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:  
(a) E-1

Recap Schedules:  
(b) B-1

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: C-1**  
**Title: Adjusted Test Year Income Statement**

**Explanation:**

Schedule showing statement of income for the test year, including pro forma adjustments.

Required for: All Utilities  
 Class A  
 Class B  
 Class C  
 Class D  
 Specd Reqmt

X

Description	Actual for Test Year Ended (a) 31-Dec-08	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
<b>Operating Revenues:</b>					
461 Metered Water Revenue	\$ 437,387	A \$ 11,928	\$ 449,315	\$ 497,753	\$ 947,068
474 Other Water Revenue	6,033		6,033		6,033
<b>Total Operating Revenue</b>	<b>\$ 443,420</b>	<b>\$ 11,928</b>	<b>\$ 455,348</b>	<b>\$ 497,753</b>	<b>\$ 953,101</b>
<b>Operating Expenses:</b>					
601 Salaries & Wages	\$ 71,814		\$ 71,814		\$ 71,814
610 Purchased Water	187,158		187,158		187,158
615 Purchased Power	38,214		38,214		38,214
618 Chemicals	919		919		919
620 Repairs & Maintenance	58,561		58,561		58,561
621 Office Supplies and Expense	18,166		18,166		18,166
630 Outside Services	152,005		152,005		152,005
635 Water Testing	10,447		10,447		10,447
641 Rental Expense			-		-
650 Transportation Expense	10,277		10,277		10,277
657 Insurance - General Liability	10,940		10,940		10,940
659 Insurance - Health and Life			-		-
666 Rate Case Expense		B 8,333	8,333		8,333
675 Miscellaneous Expense	1,056		1,056		1,056
403 Depreciation & Amortization	127,449	C 39,214	166,663		166,663
408 Property Taxes	14,129		14,129		14,129
408.11 Taxes Other Than Income	8,503		8,503		8,503
409 Income Taxes			-		-
<b>Total Operating Expenses</b>	<b>\$ 709,638</b>	<b>\$ 47,547</b>	<b>\$ 757,186</b>	<b>\$ -</b>	<b>\$ 757,186</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (266,218)</b>	<b>\$ (35,619)</b>	<b>\$ (301,837)</b>	<b>(c) \$ 497,753</b>	<b>\$ 195,915</b>
<b>Other Income/(Expense):</b>					
419 Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
427 Interest Expense	(1,184)	D (52,452)	(53,636)		(53,636)
<b>Total Other Income/(Expense)</b>	<b>\$ (1,184)</b>	<b>\$ (52,452)</b>	<b>\$ (53,636)</b>	<b>\$ -</b>	<b>\$ (53,636)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (267,402)</b>	<b>\$ (88,071)</b>	<b>\$ (355,474)</b>	<b>\$ 497,753</b>	<b>\$ 142,279</b>

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:  
 (a) E-2 (b) C-2

Recap Schedules:  
 (c) A-1

Valle Verde Water Company  
Test Year Ended December 31, 2008

**Schedule: C-2**  
**Title: Income Statement Proforma**  
**Adjustments**

Explanation:  
Schedule itemizing pro forma adjustments to the test year  
income statement.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Speci Reqmt ☐

Adj	Adjustment
No.	Explanation of Adjustment Amount
A	Increase revenue to include surcharge on gallonage purchased in January 2008. 6,895,000 gallons sold times \$1.73 per thousand gallons = \$ 11,928
B	Increase Rate Case Expense to include \$25,000 amortized over three years. 8,333
C	Increase depreciation to reflect proposed depreciation rates as well as plant improvements to be constructed with proceeds of WIFA loan. 39,214
D	Increase interest expense to include proforma adjustment for WIFA loan based on estimated terms. 52,452
	Total net proforma adjustment to Schedule C-1 \$ (88,071)

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:

Recap Schedules:  
(a) C-1

Valle Verde Water Company  
Test Year Ended December 31, 2008

**Schedule: C-3**  
**Title: Computation of Gross Revenue**  
**Conversion Factor**

Explanation:  
Schedule showing incremental taxes on gross revenues and  
the development of a gross revenue conversion factor.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Description	Percentage of Incremental Gross Revenues
Federal Income Taxes	\$ -
State Income Taxes	-
Other Taxes and Expenses:	
Payroll Taxes	1.83%
Property Taxes	3.19%
Total Tax Percentage	5.02%
Operating Income % = 100% - Tax Percentage	94.98%
Gross Revenue Conversion Factor = 1/Operating Income %	1.0528

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant  
may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:  
(a) A-1



Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: D-1  
Title: Summary Cost of Capital

Explanation:  
Schedule showing elements of capital structure  
and the related cost.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Speci Reqmt ☐

Invested Capital	End of Test Year					End of Projected Year			
	Amount	%	Cost Rate (e)	Composite Cost %		Amount	%	Cost Rate (e)	Composite Cost %
Long-Term Debt (a)	\$ 12,463	100%	10%	10%		\$ 1,073,918	100%	5.05%	5.05%
Short-Term Debt (a)	-	0%	0%	0%		-	0%	0%	0.00%
Common Equity (c)	(693,213)	0%	10%	0%		(1,048,687)	0%	10%	0.00%
Total†	\$ 12,463					\$ 1,073,918			

†Note: Negative equity is assumed to be zero for these calculations.

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Schedule: E-1**  
**Title: Comparative Balance Sheet**

Explanation:  
Schedule showing comparative balance sheets at the end of the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Speci Reqmt ☐

	Test Year At 31-Dec-08	Prior Year 31-Dec-07	Prior Year 31-Dec-06
<b>ASSETS</b>			
Property, Plant & Equipment: (a)			
101 Utility Plant In Service	\$ 2,858,608	\$ 2,411,779	\$ 2,392,226
105 Construction Work in Process		49,289	
108 Accumulated Depreciation	(1,461,206)	(1,333,757)	(1,217,968)
Total Property Plant & Equipment	\$ 1,397,402	\$ 1,127,311	\$ 1,174,258
Current Assts:			
131 Cash	\$ 50,714	\$ 6,435	\$ 31,609
141 Customer Accounts Receivable	112,060	47,489	37,478
174 Miscellaneous Current and Accrued Assets	-	50	3,517
Total Current Assets	\$ 162,774	\$ 53,974	\$ 72,604
<b>TOTAL ASSETS</b>	<b>\$ 1,560,176</b>	<b>\$ 1,181,285</b>	<b>\$ 1,246,862</b>
<b>LIABILITIES and STOCKHOLDERS' EQUITY</b>			
Capitalization: (b)			
218 Proprietary Capital	\$ (775,257)	\$ (533,064)	\$ (353,328)
Current Liabilities:			
231 Accounts Payable	\$ 294,938	\$ 172,487	\$ -
235 Customer Deposits	27,692	21,541	40,350
236 Accrued Taxes	4,102	3,091	1,421
Total Current Liabilities	\$ 326,732	\$ 197,119	\$ 41,771
224 Long-Term Debt (Over 12 Months)	\$ 12,463	\$ -	\$ -
Deferred Credits:			
252 Advances In Aid Of Construction	\$ 1,518,730	\$ 1,517,230	\$ 1,479,167
271 Contributions In Aid Of Construction	502,640	-	137,593
272 Less: Amortization of Contributions	(25,132)	-	(58,341)
Total Deferred Credits	\$ 1,996,238	\$ 1,517,230	\$ 1,558,419
Total Liabilities	\$ 2,335,433	\$ 1,714,349	\$ 1,600,190
<b>TOTAL LIABILITIES and STOCKHOLDERS' EQUITY</b>	<b>\$ 1,560,176</b>	<b>\$ 1,181,285</b>	<b>\$ 1,246,862</b>
Supporting Schedules:	Recap Schedules:		
(a) E-5	(b) A-3		

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: E-2**  
**Title: Comparative Income**  
**Statements**

**Explanation:**  
 Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒  
 Class A ☐  
 Class B ☐  
 Class C ☐  
 Class D ☐  
 Specl Reqmt ☐

	<b>Test Year Ended 31-Dec-08</b>	<b>Prior Year Ended 31-Dec-07</b>	<b>Prior Year Ended 31-Dec-06</b>
<b>Revenues: (a)</b>			
461 Metered Water Revenue	\$ 437,387	\$ 286,513	\$ 240,510
474 Other Water Revenue	6,033	9,042	15,696
<b>Total Revenues</b>	<b>\$ 443,420</b>	<b>\$ 295,555</b>	<b>\$ 256,206</b>
<b>Operating Expenses (a)</b>			
601 Salaries & Wages	\$ 71,814	\$ 82,841	\$ 93,653
610 Purchased Water	187,158	138,456	2,211
615 Purchased Power	38,214	11,589	36,789
618 Chemicals	919	695	1,248
620 Repairs and Maintenance	58,561	6,750	9,462
621 Office Supplies and Expense	18,166	37,066	17,830
630 Outside Services	152,005	80,993	23,369
635 Water Testing	10,447	13,346	10,495
641 Rents	-	-	2,380
650 Transportation Expense	10,277	15,120	17,247
657 Insurance - General liability	10,940	2,098	9,454
659 Insurance - Health and Life	-	1,812	-
666 Regulatory Commission Expense - Rate Case	-	-	-
675 Miscellaneous Expense	1,056	6,508	-
403 Depreciation Expense	127,449	115,789	115,171
408 Taxes Other Than Income	14,129	8,824	9,955
408 Property Taxes	8,503	15,718	14,831
409 Income Tax	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 709,638</b>	<b>\$ 537,605</b>	<b>\$ 364,095</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (266,218)</b>	<b>\$ (242,050)</b>	<b>\$ (107,889)</b>
<b>Other Income/(Expense)</b>			
419 Interest and Dividend Income			
421 Non-Utility Income	\$ -	\$ 1,227	\$ -
427 Interest Expense	(1,184)	-	-
<b>Total Other Income/(Expense)</b>	<b>\$ (1,184)</b>	<b>\$ 1,227</b>	<b>\$ -</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (267,402)</b>	<b>\$ (240,823)</b>	<b>\$ (107,889)</b>

**Supporting Schedules:**  
 (a) E-6

**Recap Schedules:**  
 A-2

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: E-5**  
**Title: Detail of Utility Plant**

Explanation:  
 Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required for: All Utilities ☒  
 Class A ☐  
 Class B ☐  
 Class C ☐  
 Class D ☐  
 Specl Reqmt ☐

Account Number	Description	End of Prior Year at 31-Dec-07	Net Additions	End of Test Year at 31-Dec-08
302	Franchises	\$ 125	\$ -	\$ 125
303	Land & Land Rights	86,093	-	86,093
304	Structures & Improvements	500,114	-	500,114
307	Wells & Springs	145,786	411,803	557,589
311	Pumping Equipment	289,845	3,031	292,876
320	Water Treatment Equipment	11,504	-	11,504
320.1	Water Treatment Plants	-	-	-
320.2	Solution Chemical Feeders	-	-	-
330	Distribution Reservoirs & Standpipes	365,809	692	366,501
330.1	Storage Tanks	-	-	-
330.2	Pressure Tanks.	-	-	-
331	Transmission & Distribution Mains	569,390	10,339	579,729
333	Services	50,719	389	51,108
334	Meters & Meter Installations	88,008	5,694	93,702
335	Hydrants	35,007	-	35,007
339	Other Plant and Misc Equipment	-	-	-
340	Office Furniture & Equipment	16,552	-	16,552
340.1	Computers and Software	-	-	-
341	Transportation Equipment	56,483	14,881	71,364
343	Tools, Shop, and Garage Equipment	11,729	-	11,729
345	Power Operated Equipment	44,869	-	44,869
348	Other Tangible Plant	139,746	-	139,746
<b>Total Plant In Service</b>		<b>\$ 2,411,779</b>	<b>\$ 446,829</b>	<b>\$ 2,858,608</b>
Accumulated Depreciation		1,333,757	127,449	1,461,206
<b>Net Plant In Service</b>		<b>\$ 1,078,022</b>	<b>\$ 319,380</b>	<b>\$ 1,397,402</b>
Construction Work in Process		49,289		
<b>Total Net Plant</b>		<b>\$ 1,127,311</b>	<b>\$ 319,380</b>	<b>\$ 1,397,402</b>

Supporting Schedules:

Recap Schedules:  
 E-1 A-4

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Schedule: E-7**  
**Title: Operating Statistics**

**Explanation:**  
Schedule showing key operating statistics in comparative format,  
for the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Speci Reqmt ☐

	Test Year	Prior Year	Prior Year
	Ended	Ended	Ended
<b>Water Statistics:</b>	<b>31-Dec-08</b>	<b>31-Dec-07</b>	<b>31-Dec-06</b>
Gallons Sold - By Class of Service:			
Residential	68,704,160	69,838,190	102,397,000
Commercial	37,917,170	37,698,810	*
Average Number of Customers - By Class of Service:			
Residential	735	731	848
Commercial	92	98	*
Average Annual Gallons Per Residential Customer	93,475	95,538	120,751
Average Annual Revenue Per Residential Customer	\$ 409.53	\$ 415.78	\$ 492.18
Pumping Cost Per 1,000 Gallons	\$ 0.8061	\$ 0.1392	\$ 0.2934

\* Data available from company does not differentiate between Class of Service for 2006, commercial amounts are included with residential amounts.

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: E-8  
Title: Taxes Charged to  
Operations

Explanation:  
Schedule showing all significant taxes charged to operations for  
the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Speci Reqmt ☐

Description	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
Federal Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	6,091	6,835	7,741
Total Federal Taxes	\$ 6,091	\$ 6,835	\$ 7,741
State Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	2,037	1,989	2,214
Total State Taxes	\$ 2,037	\$ 1,989	\$ 2,214
Local Taxes:			
Property	\$ 14,129	\$ 15,718	\$ 14,831
Total Taxes	\$ 22,257	\$ 24,542	\$ 24,786

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Schedule: E-9**  
**Title: Notes to Financial**  
**Statements**

Explanation:  
Disclosure of important facts pertaining to the understanding  
of the financial statements.

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Speci Reqmt

X

*Disclosures should include, but not be limited to the following:*

**1 Accounting Method.**

**The books of Valle Verde are kept as accrual based, and also follow NARUC rules, including the USoA.**

**2 Depreciation lives and methods employed by major classification of utility property.**

**For years up to and including the test year 2008, depreciation rates as authorized in Decision 59553 were 5% for all plant asset categories. Proposed depreciation rates are depicted on the plant schedule as part of the financing application. These rates were taken from ACC Engineering Staff Memo regarding their recommended rates for depreciation dated April 21, 2000, and revised March 1, 2001.**

**3 Income tax treatment - normalization or flow through.**

**Valle Verde Water is currently part of the Estate of William F. Randall. Prior to Mr. Randall's passing, the utility was operated as a sole proprietor, and as a result, is now part of his estate. Income taxes for Valle Verde flow through to the income tax return of the estate, Form 1041, and as such, income taxes are not part of this case.**

**4 Interest rate used to charge interest during construction, if applicable.**

**Not Applicable.**

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: F-1  
Title: Projected Income Statements  
Present and Proposed Rates

Explanation:  
Schedule showing an income statement for the projected year,  
compared with actual test year results, at present and proposed  
rates.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Specd Reqmt ☐

	<u>Projected Year</u>		
	<u>Actual</u>	<u>At Present</u>	<u>At Proposed</u>
	<u>Test Year</u>	<u>Rates</u>	<u>Rates</u>
	<u>Ended (a)</u>	<u>Year Ended (b)</u>	<u>Year Ended (b)</u>
	<u>31-Dec-08</u>	<u>31-Dec-09</u>	<u>31-Dec-09</u>
<b>Operating Revenues:</b>			
461 Metered Water Revenue	\$ 437,387	\$ 449,315	\$ 947,068
474 Other Water Revenue	6,033	6,033	6,033
<b>Total Operating Revenue</b>	<b>\$ 443,420</b>	<b>\$ 455,348</b>	<b>\$ 953,101</b>
<b>Operating Expenses:</b>			
601 Salaries & Wages	\$ 71,814	\$ 71,814	\$ 71,814
610 Purchased Water	187,158	187,158	187,158
615 Purchased Power	38,214	38,214	38,214
618 Chemicals	919	919	919
620 Repairs & Maintenance	58,561	58,561	58,561
621 Office Supplies and Expense	18,166	18,166	18,166
630 Outside Services	152,005	152,005	152,005
635 Water Testing	10,447	10,447	10,447
641 Rental Expense	-	-	-
650 Transportation Expense	10,277	10,277	10,277
657 Insurance - General Liability	10,940	10,940	10,940
659 Insurance - Health and Life	-	-	-
666 Rate Case Expense	-	8,333	8,333
675 Miscellaneous Expense	1,056	1,056	1,056
403 Depreciation & Amortization	127,449	166,663	166,663
408 Property Taxes	14,129	14,129	14,129
408.1 Taxes Other Than Income	8,503	8,503	8,503
409 Income Taxes	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 709,638</b>	<b>\$ 757,186</b>	<b>\$ 757,186</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (266,218)</b>	<b>\$ (301,837)</b>	<b>\$ 195,915</b>
<b>Other Income/(Expense):</b>			
419 Interest Income	\$ -	\$ -	\$ -
427 Interest Expense	(1,184)	(53,636)	(53,636)
<b>Total Other Income/(Expense)</b>	<b>\$ (1,184)</b>	<b>\$ (53,636)</b>	<b>\$ (53,636)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (267,402)</b>	<b>\$ (355,474)</b>	<b>\$ 142,279</b>
Earnings per share of average Common Stock Outstanding	N/A	N/A	N/A
% Return on Common Equity	double negative, not meaningful		
Supporting Schedules:	Recap Schedules:		
(a) E-2	(b) A-2		



**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Schedule: F-3**  
**Title: Projected Construction**  
**Requirements**

Explanation:  
Schedule showing projected annual construction requirements, by  
property classification, for 1 to 3 years subsequent to the test year  
compared with the test year.

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Spec'l Reqmt

X

Property Classification	Actual		Projected	
	Test Year		Year	
	Ended		Ended	
	12/31/2008		12/31/2009	
Production Plant	\$	414,834	\$	62,195
Transmission Plant		10,339		182,536
Total Plant	\$	425,173	\$	244,731

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:  
(a) F-2 & A-4

Valle Verde Water Company  
Test Year Ended December 31, 2008

**Schedule: F-4**  
**Title: Assumptions Used in**  
**Developing Projection**

Explanation:  
Documentation of important assumptions used in preparing  
forecasts and projections

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Spec'l Reqmt

X

Important assumptions used in preparing projections should be explained.

Areas covered should include:

- 1 Customer growth  
**Customer levels were flat in 2008, and that is not expected to change.**
- 2 Growth in consumption and customer demand  
**No changes are anticipated.**
- 3 Changes in expenses  
**The company believes the test year 2008, with the limited proforma adjustments included in this application, accurately depict expense levels going forward.**
- 4 Construction requirements including production reserves and changes in plant capacity  
**Proceeds of the WIFA loan will be used to remove and replace undersized mains, interconnect wells 4 & 2, install a PRV station, install arsenic treatment equipment, and replace and/or relocate other mains and lines.**
- 5 Capital structure changes  
**No changes to equity are anticipated; debt will increase if the WIFA loan is approved.**
- 6 Financing costs, interest rates  
**Currently, a company vehicle is financed at 10% interest. Valle Verde is also requesting a WIFA loan for plant upgrades and arsenic treatment equipment. Terms of the loan are unknown at this point, but for purposes of this application, a 5% interest rate and a term of 20 years was used.**

Supporting Schedules:

Recap Schedules:

## Bill Counts

- H-1 Summary of Revenues by Customer Class - Present and Proposed Rates
  - H-2 Analysis of Revenues by Detailed Class of Service - Present and Proposed Rate Classes (A&B only)
  - H-3 Changes In Representative Rate Schedules
  - H-4 Typical Bill Analysis
  - H-5 Bill Count
-

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-1  
Title: Summary of Revenues by Customer  
Classification - Present and Proposed Rates

Explanation:  
Schedule comparing revenues by customer classification for  
the Test Year, at present and proposed rates.

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Spec Reqmt

X

Customer Classification	Revenues in the Test Year (a)		Proposed Increase (b)	
	Present Rates	Proposed Rates	Amount	%
Residential	\$ 302,452	\$ 622,554	\$ 320,101	105.84%
Commercial	152,896	330,547	177,651	116.19%
Total Revenues	\$ 455,348	\$ 953,101	\$ 497,753	109.31%

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:  
(a) H-2

Recap Schedules:  
(b) A-1

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-3  
Title: Changes in Representative Rate  
Schedules - Page 1 of 2

Explanation:  
Schedule comparing present rate schedules with proposed  
rate schedule.

(Rates apply to both residential and commercial usage)

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec. Reqt

X

Description	Present Rate	Proposed Rate	Percent change
<b>MONTHLY USAGE CHARGE</b>			
5/8" x 3/4" Meter	\$ 11.75	\$ 30.00	155%
3/4" Meter	11.90	45.00	278%
1" Meter	20.00	75.00	275%
1-1/2" Meter	31.00	150.00	384%
2" Meter	59.65	240.00	302%
3" Meter	120.00	480.00	300%
4" Meter	250.00	750.00	200%
6" Meter	500.00	1,500.00	200%
Gallons included in minimum	1,000	-	-100%

**Commodity Charge (per 1,000 gallons over monthly minimum)**

1,001 to 8,000 gallons	\$ 1.30	-100%
In excess of 8,000 gallons	1.47	-100%

5/8 x 3/4 - inch meter

1 - 3,000 Gallons	\$ 3.00
3,001 to 10,000 Gallons	4.50
Over 10,000 Gallons	5.65

3/4 - inch meter

1 - 3,000 Gallons	\$ 3.00
3,001 to 10,000 Gallons	4.50
Over 10,000 Gallons	5.65

One - inch meter

1 to 15,000 Gallons	\$ 4.50
Over 15,000 Gallons	5.65

One and one half - inch meter

1 to 20,000 Gallons	\$ 4.50
Over 20,000 Gallons	5.65

Two - inch meter

1 to 25,000 Gallons	\$ 4.50
Over 25,000 Gallons	5.65

Three - inch meter

1 to 70,000 Gallons	\$ 4.50
Over 70,000 Gallons	5.65

Four - inch meter

1 to 150,000 Gallons	\$ 4.50
Over 150,000 Gallons	5.65

Six - inch meter

1 to 500,000 Gallons	\$ 4.50
Over 500,000 Gallons	5.65

**Emergency Interim Surcharge (per 1,000 gallons)**

All gallons	\$ 1.73	-	-100%
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Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-3  
Title: Changes in Representative Rate  
Schedules - Page 2 of 2

Description	Present Rate	Proposed Rate	Percent change
<b>SERVICE CHARGES</b>			
Establishment	\$ 10.00	\$ 30.00	200%
Establishment (After Hours)	20.00	40.00	100%
Reconnection (Delinquent)	20.00	40.00	100%
Reconnection (Delinquent) after hours	N/A	50.00	100%
Meter Test (If Correct)	35.00	35.00	0%
Deposit	*	*	N/A
Deposit Interest	*	*	N/A
Re-Establishment (within 12 months)	**	**	N/A
NSF Check	\$ 15.00	30.00	100%
Late Fee (per month)	1.50%	1.50%	0%
Deferred Payment (per month)	1.50%	1.50%	0%
Meter Re-read (If Correct)	\$ 10.00	20.00	100%

**MONTHLY SERVICE CHARGE  
FOR FIRE SPRINKLER:**

\*\*\*      \*\*\*      N/A

Description	SERVICE LINE AND METER INSTALLATION CHARGES		Proposed Rate			
	Present Rate	Service Line	Meter Charge	Total Charge	Percent change	
5/8" x 3/4" Meter	\$ 320.00	\$ 445.00	\$ 155.00	\$ 600.00	88%	
3/4" Meter	360.00	445.00	255.00	700.00	94%	
1" Meter	420.00	495.00	315.00	810.00	93%	
1-1/2" Meter	635.00	550.00	525.00	1,075.00	69%	
2" Meter - Turbine	1,090.00	830.00	1,045.00	1,875.00	72%	
2" Meter - Compound	N/A	830.00	1,890.00	2,720.00	100%	
3" Meter - Turbine	1,505.00	1,045.00	1,670.00	2,715.00	80%	
3" Meter - Compound	N/A	1,165.00	2,545.00	3,710.00	100%	
4" Meter - Turbine	2,380.00	1,490.00	2,670.00	4,160.00	75%	
4" Meter - Compound	N/A	1,670.00	3,645.00	5,315.00	100%	
6" Meter - Turbine	4,655.00	2,210.00	5,025.00	7,235.00	55%	
6" Meter - Compound	N/A	2,330.00	6,920.00	9,250.00	100%	

\* Per Commission Rule AAC R14-2-403(B)

\*\* Number of months off system times the monthly minimum, per Commission Rule AAC R14-2-403(D).

\*\*\* 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Supporting Schedules:

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: H-4**  
**Title: Typical Bill**  
**Analysis**  
**Page 1 of 8**

Explanation:  
 Schedule(s) comparing typical customer bills at varying  
 consumption levels at present and proposed rates.

5/8" x 3/4" meter - residential /commercial

Required for: All Utilities

Class A  
 Class B  
 Class C  
 Class D  
 Specl Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	11.75	\$ 30.00	155.32%
1,000	11.75	33.00	180.85%
2,000	13.05	36.00	175.86%
3,000	14.35	39.00	171.78%
4,000	15.65	43.50	177.96%
5,000	16.95	48.00	183.19%
6,000	18.25	52.50	187.67%
7,000	19.55	57.00	191.56%
8,000	20.85	61.50	194.96%
9,000	22.32	66.00	195.70%
10,000	23.79	70.50	196.34%
15,000	31.14	98.75	217.12%
20,000	38.49	127.00	229.96%
25,000	45.84	155.25	238.68%
50,000	82.59	296.50	259.00%
75,000	119.34	437.75	266.81%
100,000	156.09	579.00	270.94%
125,000	192.84	720.25	273.50%
150,000	229.59	861.50	275.23%
175,000	266.34	1,002.75	276.49%
200,000	303.09	1,144.00	277.45%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-4  
Title: Typical Bill  
Analysis  
Page 2 of 8

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

3/4" meter - residential/commercial

Required for: All Utilities

Class A  
Class B  
Class C  
Class D  
Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	11.90 \$	45.00	278.15%
1,000	11.90	48.00	303.36%
2,000	13.20	51.00	286.36%
3,000	14.50	54.00	272.41%
4,000	15.80	58.50	270.25%
5,000	17.10	63.00	268.42%
6,000	18.40	67.50	266.85%
7,000	19.70	72.00	265.48%
8,000	21.00	76.50	264.29%
9,000	22.47	81.00	260.48%
10,000	23.94	85.50	257.14%
15,000	31.29	113.75	263.53%
20,000	38.64	142.00	267.49%
25,000	45.99	170.25	270.19%
50,000	82.74	311.50	276.48%
75,000	119.49	452.75	278.90%
100,000	156.24	594.00	280.18%
125,000	192.99	735.25	280.98%
150,000	229.74	876.50	281.52%
175,000	266.49	1,017.75	281.91%
200,000	303.24	1,159.00	282.21%

Supporting Schedules:



Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-4  
Title: Typical Bill  
Analysis  
Page 3 of 8

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

1" meter - residential/commercial

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	20.00 \$	75.00	275.00%
1,000	20.00	79.50	297.50%
2,000	21.30	84.00	294.37%
3,000	22.60	88.50	291.59%
4,000	23.90	93.00	289.12%
5,000	25.20	97.50	286.90%
6,000	26.50	102.00	284.91%
7,000	27.80	106.50	283.09%
8,000	29.10	111.00	281.44%
9,000	30.57	115.50	277.82%
10,000	32.04	120.00	274.53%
15,000	39.39	142.50	261.77%
20,000	46.74	170.75	265.32%
25,000	54.09	199.00	267.91%
50,000	90.84	340.25	274.56%
75,000	127.59	481.50	277.38%
100,000	164.34	622.75	278.94%
125,000	201.09	764.00	279.93%
150,000	237.84	905.25	280.61%
175,000	274.59	1,046.50	281.11%
200,000	311.34	1,187.75	281.50%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-4  
Title: Typical Bill  
Analysis  
Page 4 of 8

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

1 1/2" meter - commercial

Required for: All Utilities

Class A  
Class B  
Class C  
Class D  
Speci Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	31.00 \$	150.00	383.87%
1,000	31.00	154.50	398.39%
2,000	32.30	159.00	392.26%
3,000	33.60	163.50	386.61%
4,000	34.90	168.00	381.38%
5,000	36.20	172.50	376.52%
6,000	37.50	177.00	372.00%
7,000	38.80	181.50	367.78%
8,000	40.10	186.00	363.84%
9,000	41.57	190.50	358.26%
10,000	43.04	195.00	353.07%
15,000	50.39	217.50	331.63%
20,000	57.74	240.00	315.66%
25,000	65.09	268.25	312.12%
50,000	101.84	409.50	302.10%
75,000	138.59	550.75	297.40%
100,000	175.34	692.00	294.66%
125,000	212.09	833.25	292.88%
150,000	248.84	974.50	291.62%
175,000	285.59	1,115.75	290.68%
200,000	322.34	1,257.00	289.96%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-4  
Title: Typical Bill  
Analysis  
Page 5 of 8

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

2" meter - residential/commercial

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Speci Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	59.65 \$	240.00	302.35%
1,000	59.65	244.50	309.89%
2,000	60.95	249.00	308.53%
3,000	62.25	253.50	307.23%
4,000	63.55	258.00	305.98%
5,000	64.85	262.50	304.78%
6,000	66.15	267.00	303.63%
7,000	67.45	271.50	302.52%
8,000	68.75	276.00	301.45%
9,000	70.22	280.50	299.46%
10,000	71.69	285.00	297.54%
15,000	79.04	307.50	289.04%
20,000	86.39	330.00	281.99%
25,000	93.74	352.50	276.04%
50,000	130.49	493.75	278.38%
75,000	167.24	635.00	279.69%
100,000	203.99	776.25	280.53%
125,000	240.74	917.50	281.12%
150,000	277.49	1,058.75	281.55%
175,000	314.24	1,200.00	281.87%
200,000	350.99	1,341.25	282.13%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-4  
Title: Typical Bill  
Analysis  
Page 6 of 8

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

3" meter - commercial

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Speci Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	120.00	\$ 480.00	300.00%
1,000	120.00	484.50	303.75%
2,000	121.30	489.00	303.13%
3,000	122.60	493.50	302.53%
4,000	123.90	498.00	301.94%
5,000	125.20	502.50	301.36%
6,000	126.50	507.00	300.79%
7,000	127.80	511.50	300.23%
8,000	129.10	516.00	299.69%
9,000	130.57	520.50	298.64%
10,000	132.04	525.00	297.61%
15,000	139.39	547.50	292.78%
20,000	146.74	570.00	288.44%
25,000	154.09	592.50	284.52%
50,000	190.84	705.00	269.42%
75,000	227.59	823.25	261.73%
100,000	264.34	964.50	264.87%
125,000	301.09	1,105.75	267.25%
150,000	337.84	1,247.00	269.11%
175,000	374.59	1,388.25	270.61%
200,000	411.34	1,529.50	271.83%

Supporting Schedules:

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: H-4**  
**Title: Typical Bill**  
**Analysis**  
**Page 7 of 8**

**Explanation:**  
 Schedule(s) comparing typical customer bills at varying  
 consumption levels at present and proposed rates.

4" meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	250.00 \$	750.00	200.00%
1,000	250.00	754.50	201.80%
2,000	251.30	759.00	202.03%
3,000	252.60	763.50	202.26%
4,000	253.90	768.00	202.48%
5,000	255.20	772.50	202.70%
6,000	256.50	777.00	202.92%
7,000	257.80	781.50	203.14%
8,000	259.10	786.00	203.36%
9,000	260.57	790.50	203.37%
10,000	262.04	795.00	203.39%
15,000	269.39	817.50	203.46%
20,000	276.74	840.00	203.53%
25,000	284.09	862.50	203.60%
50,000	320.84	975.00	203.89%
75,000	357.59	1,087.50	204.12%
100,000	394.34	1,200.00	204.31%
125,000	431.09	1,312.50	204.46%
150,000	467.84	1,425.00	204.59%
175,000	504.59	1,566.25	210.40%
200,000	541.34	1,707.50	215.42%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-4  
Title: Typical Bill  
Analysis  
Page 8 of 8

Explanation:	Required for: All Utilities	<input checked="" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
Emergency Surcharge - all meter sizes/residential and commercial	Specd Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	- \$	-	0.00%
1,000	1.73	-	-100.00%
2,000	3.46	-	-100.00%
3,000	5.19	-	-100.00%
4,000	6.92	-	-100.00%
5,000	8.65	-	-100.00%
6,000	10.38	-	-100.00%
7,000	12.11	-	-100.00%
8,000	13.84	-	-100.00%
9,000	15.57	-	-100.00%
10,000	17.30	-	-100.00%
15,000	25.95	-	-100.00%
20,000	34.60	-	-100.00%
25,000	43.25	-	-100.00%
50,000	86.50	-	-100.00%
75,000	129.75	-	-100.00%
100,000	173.00	-	-100.00%
125,000	216.25	-	-100.00%
150,000	259.50	-	-100.00%
175,000	302.75	-	-100.00%
200,000	346.00	-	-100.00%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-5  
Title: Bill Count  
Page 1 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 inch meter - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	140	-	140	3.34%	-	0.00%
1,000	249	249,000	389	9.28%	249,000	0.79%
2,000	290	580,000	679	16.19%	829,000	2.62%
3,000	335	1,005,000	1,014	24.18%	1,834,000	5.79%
4,000	412	1,648,000	1,426	34.01%	3,482,000	11.00%
5,000	423	2,115,000	1,849	44.10%	5,597,000	17.68%
6,000	376	2,256,000	2,225	53.06%	7,853,000	24.81%
7,000	372	2,604,000	2,597	61.94%	10,457,000	33.03%
8,000	294	2,352,000	2,891	68.95%	12,809,000	40.46%
9,000	218	1,962,000	3,109	74.15%	14,771,000	46.66%
10,000	211	2,110,000	3,320	79.18%	16,881,000	53.33%
10,001 to 12,000	283	3,113,000	3,603	85.93%	19,994,000	63.16%
12,001 to 14,000	168	2,184,000	3,771	89.94%	22,178,000	70.06%
14,001 to 16,000	118	1,770,000	3,889	92.75%	23,948,000	75.65%
16,001 to 18,000	80	1,360,000	3,969	94.66%	25,308,000	79.95%
18,001 to 20,000	44	836,000	4,013	95.71%	26,144,000	82.59%
20,001 to 25,000	73	1,642,500	4,086	97.45%	27,786,500	87.78%
25,001 to 30,000	35	962,500	4,121	98.28%	28,749,000	90.82%
30,001 to 35,000	28	910,000	4,149	98.95%	29,659,000	93.69%
35,001 to 40,000	19	712,500	4,168	99.40%	30,371,500	95.94%
40,001 to 50,000	12	540,000	4,180	99.69%	30,911,500	97.65%
50,001 to 60,000	11	605,000	4,191	99.95%	31,516,500	99.56%
60,001 to 70,000	1	65,000	4,192	99.98%	31,581,500	99.76%
70,001 to 80,000	1	75,000	4,193	100.00%	31,656,500	100.00%
80,001 to 90,000	-	-	4,193	100.00%	31,656,500	100.00%
90,001 to 100,000	-	-	4,193	100.00%	31,656,500	100.00%
Over 100,000	-	-	4,193	100.00%	31,656,500	100.00%
	4,193	31,656,500				

Average Number of Customers 349  
Average Consumption 7,550  
Median Consumption 5,658

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-5  
Title: Bill Count  
Page 2 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	13	-	13	6.99%	-	0.00%
1,000	20	20,000	33	17.74%	20,000	1.38%
2,000	22	44,000	55	29.57%	64,000	4.43%
3,000	16	48,000	71	38.17%	112,000	7.75%
4,000	9	36,000	80	43.01%	148,000	10.24%
5,000	12	60,000	92	49.46%	208,000	14.39%
6,000	14	84,000	106	56.99%	292,000	20.21%
7,000	9	63,000	115	61.83%	355,000	24.57%
8,000	12	96,000	127	68.28%	451,000	31.21%
9,000	15	135,000	142	76.34%	586,000	40.55%
10,000	11	110,000	153	82.26%	696,000	48.16%
10,001 to 12,000	13	143,000	166	89.25%	839,000	58.06%
12,001 to 14,000	7	91,000	173	93.01%	930,000	64.36%
14,001 to 16,000	1	15,000	174	93.55%	945,000	65.39%
16,001 to 18,000	3	51,000	177	95.16%	996,000	68.92%
18,001 to 20,000	1	19,000	178	95.70%	1,015,000	70.24%
20,001 to 25,000	2	45,000	180	96.77%	1,060,000	73.35%
25,001 to 30,000	-	-	180	96.77%	1,060,000	73.35%
30,001 to 35,000	2	65,000	182	97.85%	1,125,000	77.85%
35,001 to 40,000	1	37,500	183	98.39%	1,162,500	80.45%
40,001 to 50,000	-	-	183	98.39%	1,162,500	80.45%
50,001 to 60,000	1	55,000	184	98.92%	1,217,500	84.25%
60,001 to 70,000	-	-	184	98.92%	1,217,500	84.25%
70,001 to 80,000	1	75,000	185	99.46%	1,292,500	89.44%
80,001 to 90,000	-	-	185	99.46%	1,292,500	89.44%
90,001 to 100,000	-	-	185	99.46%	1,292,500	89.44%
Over 100,000	1	152,580	186	100.00%	1,445,080	100.00%
	186	1,445,080				

Average Number of Customers 16  
Average Consumption 7,769  
Median Consumption 5,071

Supporting Schedules:

Recap Schedules:



Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

3/4 inch meter - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	214	-	214	4.80%	-	0.00%
1,000	245	245,000	459	10.30%	245,000	0.74%
2,000	294	588,000	753	16.90%	833,000	2.52%
3,000	422	1,266,000	1,175	26.37%	2,099,000	6.34%
4,000	417	1,668,000	1,592	35.73%	3,767,000	11.37%
5,000	449	2,245,000	2,041	45.80%	6,012,000	18.15%
6,000	386	2,316,000	2,427	54.47%	8,328,000	25.14%
7,000	330	2,310,000	2,757	61.87%	10,638,000	32.12%
8,000	316	2,528,000	3,073	68.96%	13,166,000	39.75%
9,000	243	2,187,000	3,316	74.42%	15,353,000	46.36%
10,000	226	2,260,000	3,542	79.49%	17,613,000	53.18%
10,001 to 12,000	299	3,289,000	3,841	86.20%	20,902,000	63.11%
12,001 to 14,000	194	2,522,000	4,035	90.55%	23,424,000	70.72%
14,001 to 16,000	129	1,935,000	4,164	93.45%	25,359,000	76.57%
16,001 to 18,000	93	1,581,000	4,257	95.53%	26,940,000	81.34%
18,001 to 20,000	45	855,000	4,302	96.54%	27,795,000	83.92%
20,001 to 25,000	71	1,597,500	4,373	98.14%	29,392,500	88.74%
25,001 to 30,000	30	825,000	4,403	98.81%	30,217,500	91.24%
30,001 to 35,000	18	585,000	4,421	99.21%	30,802,500	93.00%
35,001 to 40,000	11	412,500	4,432	99.46%	31,215,000	94.25%
40,001 to 50,000	8	360,000	4,440	99.64%	31,575,000	95.33%
50,001 to 60,000	4	220,000	4,444	99.73%	31,795,000	96.00%
60,001 to 70,000	3	195,000	4,447	99.80%	31,990,000	96.59%
70,001 to 80,000	4	300,000	4,451	99.89%	32,290,000	97.49%
80,001 to 90,000	2	170,000	4,453	99.93%	32,460,000	98.01%
90,001 to 100,000	1	95,000	4,454	99.96%	32,555,000	98.29%
Over 100,000	2	565,370	4,456	100.00%	33,120,370	100.00%
	4,456	33,120,370				

Average Number of Customers	371
Average Consumption	7,433
Median Consumption	5,480

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: H-5**  
**Title: Bill Count**  
**Page 4 of 13**

**Explanation:**

Schedule(s) showing billing activity by block for each rate schedule.

3/4 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	16	-	16	6.11%	-	0.00%
1,000	72	72,000	88	33.59%	72,000	4.10%
2,000	40	80,000	128	48.85%	152,000	8.66%
3,000	16	48,000	144	54.96%	200,000	11.39%
4,000	14	56,000	158	60.31%	256,000	14.58%
5,000	5	25,000	163	62.21%	281,000	16.00%
6,000	15	90,000	178	67.94%	371,000	21.13%
7,000	15	105,000	193	73.66%	476,000	27.11%
8,000	7	56,000	200	76.34%	532,000	30.30%
9,000	4	36,000	204	77.86%	568,000	32.35%
10,000	6	60,000	210	80.15%	628,000	35.76%
10,001 to 12,000	12	132,000	222	84.73%	760,000	43.28%
12,001 to 14,000	8	104,000	230	87.79%	864,000	49.20%
14,001 to 16,000	5	75,000	235	89.69%	939,000	53.47%
16,001 to 18,000	3	51,000	238	90.84%	990,000	56.38%
18,001 to 20,000	4	76,000	242	92.37%	1,066,000	60.71%
20,001 to 25,000	6	135,000	248	94.66%	1,201,000	68.39%
25,001 to 30,000	3	82,500	251	95.80%	1,283,500	73.09%
30,001 to 35,000	3	97,500	254	96.95%	1,381,000	78.64%
35,001 to 40,000	2	75,000	256	97.71%	1,456,000	82.92%
40,001 to 50,000	4	180,000	260	99.24%	1,636,000	93.17%
50,001 to 60,000	1	55,000	261	99.62%	1,691,000	96.30%
60,001 to 70,000	1	65,000	262	100.00%	1,756,000	100.00%
70,001 to 80,000	-	-	262	100.00%	1,756,000	100.00%
80,001 to 90,000	-	-	262	100.00%	1,756,000	100.00%
90,001 to 100,000	-	-	262	100.00%	1,756,000	100.00%
Over 100,000	-	-	262	100.00%	1,756,000	100.00%
	262	1,756,000				

Average Number of Customers 22  
Average Consumption 6,702  
Median Consumption 2,188

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-5  
Title: Bill Count  
Page 5 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

1 inch meter - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	15	-	15	11.81%	-	0.00%
1,000	8	8,000	23	18.11%	8,000	0.33%
2,000	6	12,000	29	22.83%	20,000	0.83%
3,000	6	18,000	35	27.56%	38,000	1.58%
4,000	2	8,000	37	29.13%	46,000	1.92%
5,000	1	5,000	38	29.92%	51,000	2.13%
6,000	3	18,000	41	32.28%	69,000	2.88%
7,000	6	42,000	47	37.01%	111,000	4.63%
8,000	3	24,000	50	39.37%	135,000	5.63%
9,000	4	36,000	54	42.52%	171,000	7.13%
10,000	14	140,000	68	53.54%	311,000	12.97%
10,001 to 12,000	8	88,000	76	59.84%	399,000	16.64%
12,001 to 14,000	7	91,000	83	65.35%	490,000	20.44%
14,001 to 16,000	3	45,000	86	67.72%	535,000	22.31%
16,001 to 18,000	3	51,000	89	70.08%	586,000	24.44%
18,001 to 20,000	2	38,000	91	71.65%	624,000	26.03%
20,001 to 25,000	9	202,500	100	78.74%	826,500	34.47%
25,001 to 30,000	8	220,000	108	85.04%	1,046,500	43.65%
30,001 to 35,000	3	97,500	111	87.40%	1,144,000	47.71%
35,001 to 40,000	3	112,500	114	89.76%	1,256,500	52.40%
40,001 to 50,000	5	225,000	119	93.70%	1,481,500	61.79%
50,001 to 60,000	2	110,000	121	95.28%	1,591,500	66.38%
60,001 to 70,000	2	130,000	123	96.85%	1,721,500	71.80%
70,001 to 80,000	1	75,000	124	97.64%	1,796,500	74.93%
80,001 to 90,000	1	85,000	125	98.43%	1,881,500	78.47%
90,001 to 100,000	-	-	125	98.43%	1,881,500	78.47%
Over 100,000	2	516,190	127	100.00%	2,397,690	100.00%
	127	2,397,690				

Average Number of Customers 11  
Average Consumption 18,879  
Median Consumption 9,679

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-5  
Title: Bill Count  
Page 6 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

1 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	40	-	40	10.39%	-	0.00%
1,000	31	31,000	71	18.44%	31,000	0.66%
2,000	27	54,000	98	25.45%	85,000	1.81%
3,000	33	99,000	131	34.03%	184,000	3.91%
4,000	28	112,000	159	41.30%	296,000	6.29%
5,000	18	90,000	177	45.97%	386,000	8.21%
6,000	17	102,000	194	50.39%	488,000	10.38%
7,000	17	119,000	211	54.81%	607,000	12.91%
8,000	15	120,000	226	58.70%	727,000	15.46%
9,000	12	108,000	238	61.82%	835,000	17.75%
10,000	15	150,000	253	65.71%	985,000	20.94%
10,001 to 12,000	23	253,000	276	71.69%	1,238,000	26.32%
12,001 to 14,000	15	195,000	291	75.58%	1,433,000	30.47%
14,001 to 16,000	18	270,000	309	80.26%	1,703,000	36.21%
16,001 to 18,000	7	119,000	316	82.08%	1,822,000	38.74%
18,001 to 20,000	6	114,000	322	83.64%	1,936,000	41.16%
20,001 to 25,000	16	360,000	338	87.79%	2,296,000	48.82%
25,001 to 30,000	10	275,000	348	90.39%	2,571,000	54.66%
30,001 to 35,000	9	292,500	357	92.73%	2,863,500	60.88%
35,001 to 40,000	6	225,000	363	94.29%	3,088,500	65.66%
40,001 to 50,000	7	315,000	370	96.10%	3,403,500	72.36%
50,001 to 60,000	4	220,000	374	97.14%	3,623,500	77.04%
60,001 to 70,000	3	195,000	377	97.92%	3,818,500	81.19%
70,001 to 80,000	1	75,000	378	98.18%	3,893,500	82.78%
80,001 to 90,000	1	85,000	379	98.44%	3,978,500	84.59%
90,001 to 100,000	2	190,000	381	98.96%	4,168,500	88.63%
Over 100,000	4	534,920	385	100.00%	4,703,420	100.00%
	385	4,703,420				

Average Number of Customers 32  
Average Consumption 12,217  
Median Consumption 5,912

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-5  
Title: Bill Count  
Page 7 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

1 1/2" meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1,000	1	1,000	1	2.78%	1,000	0.05%
2,000	2	4,000	3	8.33%	5,000	0.25%
3,000	-	-	3	8.33%	5,000	0.25%
4,000	-	-	3	8.33%	5,000	0.25%
5,000	-	-	3	8.33%	5,000	0.25%
6,000	-	-	3	8.33%	5,000	0.25%
7,000	1	7,000	4	11.11%	12,000	0.61%
8,000	-	-	4	11.11%	12,000	0.61%
9,000	4	36,000	8	22.22%	48,000	2.45%
10,000	1	10,000	9	25.00%	58,000	2.96%
10,001 to 12,000	2	22,000	11	30.56%	80,000	4.08%
12,001 to 14,000	3	39,000	14	38.89%	119,000	6.07%
14,001 to 16,000	4	60,000	18	50.00%	179,000	9.13%
16,001 to 18,000	-	-	18	50.00%	179,000	9.13%
18,001 to 20,000	2	38,000	20	55.56%	217,000	11.06%
20,001 to 25,000	6	135,000	26	72.22%	352,000	17.95%
25,001 to 30,000	-	-	26	72.22%	352,000	17.95%
30,001 to 35,000	1	32,500	27	75.00%	384,500	19.60%
35,001 to 40,000	-	-	27	75.00%	384,500	19.60%
40,001 to 50,000	1	45,000	28	77.78%	429,500	21.90%
50,001 to 60,000	1	55,000	29	80.56%	484,500	24.70%
60,001 to 70,000	-	-	29	80.56%	484,500	24.70%
70,001 to 80,000	-	-	29	80.56%	484,500	24.70%
80,001 to 90,000	-	-	29	80.56%	484,500	24.70%
90,001 to 100,000	-	-	29	80.56%	484,500	24.70%
Over 100,000	7	1,477,000	36	100.00%	1,961,500	100.00%
	36	1,961,500				

Average Number of Customers 3  
Average Consumption 54,486  
Median Consumption 16,000

Supporting Schedules:

Recap Schedules:

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

2 inch meter - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1,000	-	-	-	0.00%	-	0.00%
2,000	-	-	-	0.00%	-	0.00%
3,000	-	-	-	0.00%	-	0.00%
4,000	-	-	-	0.00%	-	0.00%
5,000	-	-	-	0.00%	-	0.00%
6,000	-	-	-	0.00%	-	0.00%
7,000	-	-	-	0.00%	-	0.00%
8,000	-	-	-	0.00%	-	0.00%
9,000	-	-	-	0.00%	-	0.00%
10,000	-	-	-	0.00%	-	0.00%
10,001 to 12,000	-	-	-	0.00%	-	0.00%
12,001 to 14,000	-	-	-	0.00%	-	0.00%
14,001 to 16,000	-	-	-	0.00%	-	0.00%
16,001 to 18,000	-	-	-	0.00%	-	0.00%
18,001 to 20,000	-	-	-	0.00%	-	0.00%
20,001 to 25,000	-	-	-	0.00%	-	0.00%
25,001 to 30,000	-	-	-	0.00%	-	0.00%
30,001 to 35,000	-	-	-	0.00%	-	0.00%
35,001 to 40,000	-	-	-	0.00%	-	0.00%
40,001 to 50,000	-	-	-	0.00%	-	0.00%
50,001 to 60,000	-	-	-	0.00%	-	0.00%
60,001 to 70,000	-	-	-	0.00%	-	0.00%
70,001 to 80,000	-	-	-	0.00%	-	0.00%
80,001 to 90,000	-	-	-	0.00%	-	0.00%
90,001 to 100,000	2	190,000	2	16.67%	190,000	12.42%
Over 100,000	10	1,339,600	12	100.00%	1,529,600	100.00%
	12	1,529,600				

Average Number of Customers 1  
Average Consumption 127,467  
Median Consumption 114,800

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-5  
Title: Bill Count  
Page 9 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

2 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	32	-	32	13.85%	-	0.00%
1,000	2	2,000	34	14.72%	2,000	0.01%
2,000	-	-	34	14.72%	2,000	0.01%
3,000	2	6,000	36	15.58%	8,000	0.03%
4,000	5	20,000	41	17.75%	28,000	0.11%
5,000	6	30,000	47	20.35%	58,000	0.23%
6,000	3	18,000	50	21.65%	76,000	0.31%
7,000	10	70,000	60	25.97%	146,000	0.59%
8,000	1	8,000	61	26.41%	154,000	0.62%
9,000	5	45,000	66	28.57%	199,000	0.80%
10,000	3	30,000	69	29.87%	229,000	0.92%
10,001 to 12,000	6	66,000	75	32.47%	295,000	1.18%
12,001 to 14,000	5	65,000	80	34.63%	360,000	1.45%
14,001 to 16,000	5	75,000	85	36.80%	435,000	1.75%
16,001 to 18,000	5	85,000	90	38.96%	520,000	2.09%
18,001 to 20,000	6	114,000	96	41.56%	634,000	2.54%
20,001 to 25,000	9	202,500	105	45.45%	836,500	3.36%
25,001 to 30,000	7	192,500	112	48.48%	1,029,000	4.13%
30,001 to 35,000	9	292,500	121	52.38%	1,321,500	5.30%
35,001 to 40,000	6	225,000	127	54.98%	1,546,500	6.21%
40,001 to 50,000	7	315,000	134	58.01%	1,861,500	7.47%
50,001 to 60,000	6	330,000	140	60.61%	2,191,500	8.80%
60,001 to 70,000	5	325,000	145	62.77%	2,516,500	10.10%
70,001 to 80,000	4	300,000	149	64.50%	2,816,500	11.31%
80,001 to 90,000	6	510,000	155	67.10%	3,326,500	13.35%
90,001 to 100,000	3	285,000	158	68.40%	3,611,500	14.50%
Over 100,000	73	21,301,270	231	100.00%	24,912,770	100.00%
	231	24,912,770				

Average Number of Customers 19  
Average Consumption 107,847  
Median Consumption 31,944

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-5  
Title: Bill Count  
Page 10 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

3 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	2	-	2	6.25%	-	0.00%
1,000	2	2,000	4	12.50%	2,000	0.08%
2,000	1	2,000	5	15.63%	4,000	0.16%
3,000	-	-	5	15.63%	4,000	0.16%
4,000	-	-	5	15.63%	4,000	0.16%
5,000	-	-	5	15.63%	4,000	0.16%
6,000	-	-	5	15.63%	4,000	0.16%
7,000	-	-	5	15.63%	4,000	0.16%
8,000	4	32,000	9	28.13%	36,000	1.40%
9,000	-	-	9	28.13%	36,000	1.40%
10,000	1	10,000	10	31.25%	46,000	1.79%
10,001 to 12,000	-	-	10	31.25%	46,000	1.79%
12,001 to 14,000	2	26,000	12	37.50%	72,000	2.80%
14,001 to 16,000	1	15,000	13	40.63%	87,000	3.39%
16,001 to 18,000	4	68,000	17	53.13%	155,000	6.04%
18,001 to 20,000	2	38,000	19	59.38%	193,000	7.52%
20,001 to 25,000	-	-	19	59.38%	193,000	7.52%
25,001 to 30,000	2	55,000	21	65.63%	248,000	9.66%
30,001 to 35,000	1	32,500	22	68.75%	280,500	10.93%
35,001 to 40,000	1	37,500	23	71.88%	318,000	12.39%
40,001 to 50,000	-	-	23	71.88%	318,000	12.39%
50,001 to 60,000	2	110,000	25	78.13%	428,000	16.67%
60,001 to 70,000	-	-	25	78.13%	428,000	16.67%
70,001 to 80,000	1	75,000	26	81.25%	503,000	19.59%
80,001 to 90,000	-	-	26	81.25%	503,000	19.59%
90,001 to 100,000	-	-	26	81.25%	503,000	19.59%
Over 100,000	6	2,064,400	32	100.00%	2,567,400	100.00%
	32	2,567,400				

Average Number of Customers 3  
Average Consumption 80,231  
Median Consumption 17,500

Supporting Schedules:

Recap Schedules:



Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

4 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1,000	-	-	-	0.00%	-	0.00%
2,000	-	-	-	0.00%	-	0.00%
3,000	-	-	-	0.00%	-	0.00%
4,000	-	-	-	0.00%	-	0.00%
5,000	-	-	-	0.00%	-	0.00%
6,000	-	-	-	0.00%	-	0.00%
7,000	-	-	-	0.00%	-	0.00%
8,000	2	16,000	2	16.67%	16,000	2.80%
9,000	-	-	2	16.67%	16,000	2.80%
10,000	-	-	2	16.67%	16,000	2.80%
10,001 to 12,000	-	-	2	16.67%	16,000	2.80%
12,001 to 14,000	-	-	2	16.67%	16,000	2.80%
14,001 to 16,000	-	-	2	16.67%	16,000	2.80%
16,001 to 18,000	-	-	2	16.67%	16,000	2.80%
18,001 to 20,000	-	-	2	16.67%	16,000	2.80%
20,001 to 25,000	1	22,500	3	25.00%	38,500	6.74%
25,001 to 30,000	-	-	3	25.00%	38,500	6.74%
30,001 to 35,000	1	32,500	4	33.33%	71,000	12.43%
35,001 to 40,000	-	-	4	33.33%	71,000	12.43%
40,001 to 50,000	3	135,000	7	58.33%	206,000	36.08%
50,001 to 60,000	-	-	7	58.33%	206,000	36.08%
60,001 to 70,000	3	195,000	10	83.33%	401,000	70.23%
70,001 to 80,000	1	75,000	11	91.67%	476,000	83.36%
80,001 to 90,000	-	-	11	91.67%	476,000	83.36%
90,001 to 100,000	1	95,000	12	100.00%	571,000	100.00%
Over 100,000	-	-	12	100.00%	571,000	100.00%
	12	571,000				

Average Number of Customers 1  
Average Consumption 47,583  
Median Consumption 46,667

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Schedule: H-5**  
**Title: Bill Count**  
**Page 12 of 13**

**Explanation:**

Schedule(s) showing billing activity by block for each rate schedule.

Emergency Surcharge - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	343	-	343	4.25%	-	0.00%
1,000	456	456,000	799	9.91%	456,000	0.71%
2,000	535	1,070,000	1,334	16.55%	1,526,000	2.39%
3,000	697	2,091,000	2,031	25.19%	3,617,000	5.66%
4,000	750	3,000,000	2,781	34.50%	6,617,000	10.35%
5,000	780	3,900,000	3,561	44.17%	10,517,000	16.46%
6,000	691	4,146,000	4,252	52.74%	14,663,000	22.95%
7,000	662	4,634,000	4,914	60.95%	19,297,000	30.20%
8,000	556	4,448,000	5,470	67.85%	23,745,000	37.16%
9,000	433	3,897,000	5,903	73.22%	27,642,000	43.26%
10,000	421	4,210,000	6,324	78.44%	31,852,000	49.84%
10,001 to 12,000	550	6,050,000	6,874	85.26%	37,902,000	59.31%
12,001 to 14,000	347	4,511,000	7,221	89.57%	42,413,000	66.37%
14,001 to 16,000	234	3,510,000	7,455	92.47%	45,923,000	71.86%
16,001 to 18,000	165	2,805,000	7,620	94.52%	48,728,000	76.25%
18,001 to 20,000	83	1,577,000	7,703	95.55%	50,305,000	78.72%
20,001 to 25,000	144	3,240,000	7,847	97.33%	53,545,000	83.79%
25,001 to 30,000	68	1,870,000	7,915	98.18%	55,415,000	86.72%
30,001 to 35,000	47	1,527,500	7,962	98.76%	56,942,500	89.11%
35,001 to 40,000	30	1,125,000	7,992	99.13%	58,067,500	90.87%
40,001 to 50,000	23	1,035,000	8,015	99.42%	59,102,500	92.49%
50,001 to 60,000	17	935,000	8,032	99.63%	60,037,500	93.95%
60,001 to 70,000	5	325,000	8,037	99.69%	60,362,500	94.46%
70,001 to 80,000	5	375,000	8,042	99.75%	60,737,500	95.05%
80,001 to 90,000	3	255,000	8,045	99.79%	60,992,500	95.44%
90,001 to 100,000	3	285,000	8,048	99.83%	61,277,500	95.89%
Over 100,000	14	2,626,360	8,062	100.00%	63,903,860	100.00%
	8,062	63,903,860				

Average Number of Customers      672  
Average Consumption      7,927  
Median Consumption      5,680

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Schedule: H-5  
Title: Bill Count  
Page 13 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

Emergency Surcharge - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	96	-	96	9.13%	-	0.00%
1,000	116	116,000	212	20.17%	116,000	0.33%
2,000	84	168,000	296	28.16%	284,000	0.80%
3,000	60	180,000	356	33.87%	464,000	1.31%
4,000	53	212,000	409	38.92%	676,000	1.91%
5,000	39	195,000	448	42.63%	871,000	2.46%
6,000	46	276,000	494	47.00%	1,147,000	3.23%
7,000	45	315,000	539	51.28%	1,462,000	4.12%
8,000	38	304,000	577	54.90%	1,766,000	4.98%
9,000	37	333,000	614	58.42%	2,099,000	5.92%
10,000	33	330,000	647	61.56%	2,429,000	6.85%
10,001 to 12,000	55	605,000	702	66.79%	3,034,000	8.55%
12,001 to 14,000	36	468,000	738	70.22%	3,502,000	9.87%
14,001 to 16,000	29	435,000	767	72.98%	3,937,000	11.10%
16,001 to 18,000	19	323,000	786	74.79%	4,260,000	12.01%
18,001 to 20,000	19	361,000	805	76.59%	4,621,000	13.03%
20,001 to 25,000	39	877,500	844	80.30%	5,498,500	15.50%
25,001 to 30,000	20	550,000	864	82.21%	6,048,500	17.05%
30,001 to 35,000	23	747,500	887	84.40%	6,796,000	19.16%
35,001 to 40,000	13	487,500	900	85.63%	7,283,500	20.53%
40,001 to 50,000	21	945,000	921	87.63%	8,228,500	23.20%
50,001 to 60,000	14	770,000	935	88.96%	8,998,500	25.37%
60,001 to 70,000	11	715,000	946	90.01%	9,713,500	27.38%
70,001 to 80,000	7	525,000	953	90.68%	10,238,500	28.86%
80,001 to 90,000	7	595,000	960	91.34%	10,833,500	30.54%
90,001 to 100,000	6	570,000	966	91.91%	11,403,500	32.15%
Over 100,000	85	24,068,200	1,051	100.00%	35,471,700	100.00%
	1,051	35,471,700				

Average Number of Customers 88  
Average Consumption 33,750  
Median Consumption 6,700

Supporting Schedules:

Recap Schedules:

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# EXHIBIT 4

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### WATER USE DATA SHEET

<b>NAME OF COMPANY</b>	Valle Verde Water Company
<b>ADEQ Public Water System Number:</b>	12-009

<b>MONTH/YEAR (12 Months of Test Year)</b>	<b>NUMBER OF CUSTOMERS</b>	<b>GALLONS SOLD (Thousands)</b>	<b>GALLONS PUMPED (Thousands)</b>
1. January 2008	732	5,058	614
2. February 2008	733	4,994	497
3. March 2008	731	4,687	1,094
4. April 2008	736	4,952	1,247
5. May 2008	739	7,631	1,025
6. June 2008	741	9,505	933
7. July 2008	744	9,702	912
8. August 2008	743	4,738	980
9. September 2008	738	5,413	968
10. October 2008	730	6,503	1,030
11. November 2008	730	5,679	4,400
12. December 2008	731	4,602	2,841
<b>TOTAL</b>	N/A	73,464	16,541

**Is the water utility located in an ADWR Active Management Area ("AMA")?**

YES NO

**Does the Company have an ADWR gallons per capita day ("GPCD") requirement?**

YES NO

**If Yes, please provide the GPCD amount:** 121

*Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.*

*\* Gallons pumped cannot equal or be less than the gallons sold.*

## WATER USE DATA SHEET

NAME OF COMPANY	Valle Verde Water Company
ADEQ Public Water System Number:	12-025

MONTH/YEAR (12 Months of Test Year)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)
1. January 2008	90	1,837	1,732
2. February 2008	92	1,699	2,217
3. March 2008	93	1,652	2,338
4. April 2008	90	1,498	2,566
5. May 2008	91	2,817	2,566
6. June 2008	92	3,729	2,891
7. July 2008	91	2,981	4,426
8. August 2008	93	2,287	1,905
9. September 2008	93	1,778	2,046
10. October 2008	93	3,571	2,188
11. November 2008	93	3,315	4,573
12. December 2008	93	2,106	1,419
TOTAL	N/A	29,270	30,867

Is the water utility located in an ADWR Active Management Area ("AMA")?

YES NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

YES NO

If Yes, please provide the GPCD amount: 121

*Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.*

*\* Gallons pumped cannot equal or be less than the gallons sold.*

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# **EXHIBIT 5**

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Company Name: Valle Verde Water Company	Test Year Ended: 31-Dec-08
ADEQ PWS 12-025	

### WATER COMPANY PLANT DESCRIPTION

#### WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-500951	50	350	400	16	6	1982
55-50200F	40	600	450	16	6	1982
55-582348		450	300	12	3	2001

\* Arizona Department of Water Resources Identification Number

#### OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

#### BOOSTER PUMPS

Horsepower	Quantity
15	2
30	3
25	2
50	1
100	2

#### FIRE HYDRANTS

Quantity Standard	Quantity Other
32	

#### STORAGE TANKS

Capacity	Quantity
800,000	1
200,000	1

#### PRESSURE TANKS

Capacity	Quantity
5,000	2
10,000	1



Company Name: Valle Verde Water Company  
ADEQ PWS 12-025

Test Year Ended: 31-Dec-08

**WATER COMPANY PLANT DESCRIPTION CONTINUED**

**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6		
8		
10		
12		
Amounts included on page for system 12-009		

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 x 3/4	68
3/4	4
1	9
1 1/2	
2	8
Comp. 3	2
Turbo 3	
Comp. 4	1
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

**TREATMENT EQUIPMENT:**

Four inch PVC Chlorinator using Chlorine Tablets


**STRUCTURES:**


**OTHER:**


Company Name: Valle Verde Water Company	Test Year Ended: 31-Dec-08
ADEQ PWS 12-009	

### WATER COMPANY PLANT DESCRIPTION

#### WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-6170	30	200	105	12	4	1954
55-617054	30	350	260	16	6	1972
55-617055	15	130	220	12	3	1971
55-513789	10	70	203	12	3	1987
55-801847	30	400	93	10	4	1933

\* Arizona Department of Water Resources Identification Number

#### OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
City of Nogales	200	75,309

#### BOOSTER PUMPS

Horsepower	Quantity
N/A	

#### FIRE HYDRANTS

Quantity Standard	Quantity Other
13	

#### STORAGE TANKS

Capacity	Quantity
N/A	

#### PRESSURE TANKS

Capacity	Quantity
7,000	1
3,000	2
7,500	1
10,000	1

Company Name: Valle Verde Water Company

Test Year Ended: 31-Dec-08

ADEQ PWS 12-009

**MAINS\***

Size (in inches)	Material	Length (in feet)
2	PVC	8,397
3	AC	920
4	PVC	16,560
5		
6	PVC	19,818
8	PVC	3,220
10		
12	PVC	400
16	PVC	2,175
18	PVC	1,070
3	Steel	1,300
4	AC	8,299

**CUSTOMER METERS**

Size (in inches)	Quantity
5/8 x 3/4	316
3/4	404
1	38
1 1/2	3
2	12
Comp. 3	3
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

**TREATMENT EQUIPMENT:**

Four inch PVC Chlorinator using Chlorine Tablets

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**STRUCTURES:**

Office at 12 Garden View in Nogales

12 x 10 foot building at Well #2

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**OTHER:**

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\* Mains length amounts include both system 12-009 and 12-025, no separate detail available

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# **EXHIBIT 6**

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**To Be Late Filed**

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# EXHIBIT 7

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ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
MONITORING ASSISTANCE PROGRAM  
ANNUAL SAMPLING FEE INVOICE



Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to willful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 10544	Invoice Number 65511
To: SOUTHWESTERN UTILITY MANAGEMENT, INC PO BOX 85160 TUCSON AZ 85754	Public Water System ID #: 12025
<i>Valle Verde Water</i>	Billing for Calendar Year: 2009
	Due Date: November 17, 2008
	Total Amount Due \$ 453.03
	Amount Paid \$

↑ Keep the top portion for your records. ↑

ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

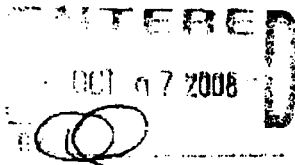
ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice

Invoice # 65511

SOUTHWESTERN UTILITY MANAGEMENT, INC PO BOX 85160 TUCSON AZ 85754	Owner Id #: 10544 Billing for Calendar Year: 2009 Due Date: 11/17/2008	MAP
<i>Valle Verde Water</i>		
2025 - Southwestern Utility Management,		

ANNUAL SAMPLING FEE WORKSHEET



Base Fee (all MAP systems)	\$ 250.00
Fee per Connection in 2009 79 connections X \$ 2.57	\$ 203.03
Total Sampling Fee	\$ 453.03
Plus Paid Interest Charges and/or Other Adjustments	\$ 0.00
Plus Unpaid Interest Charges as of 10/01/2008	\$ 0.00
Minus Payments Received and/or Other Adjustments	\$ 0.00
Amount Due	\$ 453.03
Amount received by ADEQ (Make check payable to State of Arizona)	\$



A \$12 fee will be charged for any check not honored by the bank.

Do not write below this line

Make your check or money order payable to State of Arizona  
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality  
PO Box 18228  
Phoenix, AZ 85005

Check Number:
Received:
Postmarked:
Entered:

CS3 10/01/2008  
WMJ00C11



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY  
MONITORING ASSISTANCE PROGRAM  
ANNUAL SAMPLING FEE INVOICE



Pursuant to A.R.S. § 49-113, interest will be charged if full payment is not received by the specified due date. If you dispute the amount listed, please contact ADEQ as soon as possible. To reduce interest costs on an unpaid invoice, you may remit an amount that you believe is not in dispute. However, if nonpayment is due to willful neglect, you may suffer an additional five percent penalty of up to twenty-five percent of the amount due for each month or fraction of a month the amount is past due.

If you have any questions about your invoice, contact W. Scott Steinhagen at (602) 771-4445 or toll-free within Arizona at (800) 234-5677, extension 771-4445.

Pursuant to A.R.S. § 49-360 F and A.A.C. R18-4-224 through R18-4-226, "The director shall establish fees for the monitoring assistance program to be collected from all public water systems..."

Owner Id #: 8099	Invoice Number 65251
To: VALLE VERDE WATER CO 12 GARDEN VIEW DR NOGALES AZ 85621	Public Water System ID #: 12009
	Billing for Calendar Year: 2009
	Due Date: November 17, 2008
	Total Amount Due \$ 2,172.36
	Amount Paid \$

† Keep the top portion for your records. †

ADEQ Federal Tax #866004791

↓ This entire bottom portion must be returned to ADEQ. ↓

ADEQ Federal Tax #866004791

Annual Sampling Fee Invoice

Invoice # 65251

VALLE VERDE WATER CO 12 GARDEN VIEW DR NOGALES AZ 85621	12009 - Valle Verde Water Co	Owner Id #: 8099 MAP Billing for Calendar Year: 2009 Due Date: 11/17/2008
---	------------------------------	---

ANNUAL SAMPLING FEE WORKSHEET

Base Fee (all MAP systems) \$ 250.00  
Fee per Connection in 2009 748 connections X \$ 2.57 \$ 1,922.36  
Total Sampling Fee \$ 2,172.36  
Plus Paid Interest Charges and/or Other Adjustments \$ 0.00  
Plus Unpaid Interest Charges as of 10/01/2008 \$ 0.00  
Minus Payments Received and/or Other Adjustments \$ 0.00  
Amount Due \$ 2,172.36  
Amount received by ADEQ (Make check payable to State of Arizona) \$



A \$12 fee will be charged for any check not honored by the bank.

Do not write below this line

Make your check or money order payable to State of Arizona  
THIS FORM MUST ACCOMPANY YOUR REMITTANCE.

Mail to: Arizona Department of Environmental Quality  
PO Box 18228  
Phoenix, AZ 85005

Check Number:
Received:
Postmarked:
Entered:

CS1 10/01/2008  
WM/9/11/08



1 Steve Wene, No. 019630  
2 MOYES SELLERS & SIMS LTD.  
3 1850 N. Central Avenue, Suite 1100  
4 Phoenix, Arizona 85004  
5 (602)-604-2189  
6 Attorneys for Valle Verde Water Company

RECEIVED

2009 JUL 17 P 4: 37

AZ CORP COMMISSION  
DOCKET CONTROL**BEFORE THE ARIZONA CORPORATION COMMISSION****COMMISSIONERS**

8 KRISTIN K. MAYES, CHAIRMAN  
9 GARY PIERCE  
10 PAUL NEWMAN  
11 SANDRA D. KENNEDY  
12 BOB STUMP

13 APPLICATION OF ESTATE OF  
14 WILLIAM F. RANDALL DBA VALLE  
15 VERDE WATER COMPANY FOR  
16 AUTHORITY TO INCUR LONG-TERM  
17 DEBT

Docket No. W-01431A-09-

**FINANCE APPLICATION**

18  
19 Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F), the Estate of  
20 William F. Randall dba Valle Verde Water Company ("Company" or "Applicant"),  
21 hereby applies for authority to incur debt to finance water system improvements.  
22

**PRELIMINARY STATEMENT**

23  
24 The Company is a public service corporation subject to regulation by the Arizona  
25 Corporation Commission ("Commission") as a water utility. The Company holds a  
26 Certificate of Convenience and Necessity ("CC&N") in the area of Nogales, Arizona.  
27  
28

1 The Company is seeking to finance necessary improvements to water production  
2 and distribution systems, which will cost an estimated \$1,063,478.00 as determined by  
3 engineers who evaluated the systems. See Exhibit 1. The Company has already applied  
4 to the Water Infrastructure Finance Authority ("WIFA") for a loan to finance the  
5 requisite equipment improvements and WIFA placed the Company on its 2009 Drinking  
6 Water Revolving Fund Priority List. Nevertheless, due to the Company's desire to limit  
7 its debt, it is submitting this application to receive authority to borrow no more than  
8 \$1,063,478.00 from WIFA to make system improvements.  
9

#### 10 INFORMATION REQUESTED ON APPLICATION FORM 11

##### 12 1. Applicant's Name and Address.

13 Valle Verde Water Company  
14 Bonnie O'Connor  
15 P.O. Box 85160  
16 Tucson, Arizona 85754  
17 Telephone: (520) 623-5172  
18 Facsimile: (520) 792-0377

##### 19 2. Person Authorized to Receive Communications.

20 Steve Wene, Esq.  
21 Moyes Sellers & Sims Ltd.  
22 1850 North Central Ave., Suite 1100  
23 Phoenix, Arizona 85004  
24 Telephone: (602) 604-2189  
25 Facsimile: (602) 274-9135

##### 26 3. Financing Description.

27 If the Commission authorizes the proposed debt, then WIFA will lend the  
28 Company \$1,063,478.00 for 20 to 30 years through the Drinking Water Revolving Fund.  
Although the Company is on the loan priority list, WIFA does not offer finance terms  
until the Commission authorizes water providers like the Company to incur debt. The

1 Company understands that the Commission and WIFA have a standard working  
2 arrangement to accommodate WIFA's loan practices. Accordingly, Commission staff  
3 may want to contact the following WIFA staff person:

4 Angie Valenzuela  
5 Senior Loan Officer  
6 Water Infrastructure Finance Authority  
7 1110 W. Washington Street, Suite 290  
8 Phoenix, Arizona 85007

8 **4. Proceeds Statement.**

9 Gross proceeds will be \$1,063,478.00. WIFA has a combined interest and fee rate  
10 structure, so there are no issuance expenses. This means that the Company will net  
11 \$1,063,478.00 from the proposed loan.

12 **5. Plant to be Acquired Using Net Proceeds.**

13 The proceeds will be used to repair and replace water distribution mains,  
14 interconnect wells, install arsenic treatment system, abandon wells contaminated with  
15 volatile organic chemicals (VOCs), relocate water distribution lines into the public right-  
16 of-way, replace water meters, install fire hydrant locks, and make other related  
17 improvements. See also Exhibit 1.

18 **6. Consistency with A.R.S. § 40-301 et seq.**

19 The proposed financing is: (a) within the Company's corporate powers, (b)  
20 compatible with the public interest; (c) compatible with sound financial practices; (d)  
21 compatible with the proper performance by the applicant of service as a public service  
22 corporation; and (e) will not impair the Company's ability to perform that service.

23 **7. Service Fees.**

24 WIFA does not charge service fees. Under WIFA's combined interest and fee rate  
25 structure, the Company anticipates paying a fixed interest rate of prime plus 2%  
26 multiplied by a subsidy rate index set by WIFA. WIFA may offer the Company a 85%  
27  
28

1 subsidy rate, so the effective interest rate could be Prime + 2% x 85%. This below-  
2 market rate loan is reasonable for the Commission to approve.

3 **8. Documents to be executed in the matter.**

4 There are no documents to be executed in the matter at this time.

5 **9. Pro Forma Balance Sheet and Income Statement.**

6 A Company pro forma balance sheet is attached as Exhibit 2. A Company  
7 pro forma income statement is attached as Exhibit 3.

8 **10. Customer Notice.**

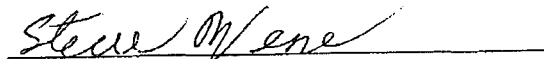
9 The Commission required notice will be inserted in the customers' next bill. The  
10 Company will file with the Commission a copy of the actual notice sent and an affidavit  
11 stating when it was sent to the customers.

12 **REQUEST FOR APPROVAL**

13 As set forth in this Application, the Company requests that the Commission  
14 authorize the financing described herein.

15 DATED this 17<sup>th</sup> day of July, 2009.

16 **MOYES SELLERS & SIMS LTD.**

17 

18 Steve Wene

19 Attorneys for Valle Verde Water Company

20  
21  
22  
23  
24 Original and 13 copies of the foregoing  
25 filed this 17th day of July, 2009, with:

26 Docket Control  
27 Arizona Corporation Commission  
28 1200 West Washington  
Phoenix, Arizona 85007

1 Copy of the foregoing mailed this  
2 17<sup>th</sup> day of July, 2009, to:

3 Janice Alward, Chief Counsel  
4 Legal Division  
5 Arizona Corporation Commission  
6 1200 W. Washington Street  
7 Phoenix, Arizona 85007

8 Ernest Johnson, Director  
9 Utilities Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 *M. Sherman*  
14

# **EXHIBIT 1**



# OPINION OF PROBABLE COSTS - RATE INCREASE

30-Mar-09

WIFA TAG - Capital Improvements Plan  
Valle Verde Water Company

Item No	Item Description	Unit	Quantity	Unit Cost	Extended Cost	Notes
	<b>Remove and Replace 2-inch Distribution Mains with 6-inch Mains</b>					
1	Mobilization Demobilization	LS	1	\$ 20,000.00	\$ 20,000.00	
2	New 6-Inch Class 200 PVC Pipe	LF	1500	\$ 55.00	\$ 82,500.00	
3	New 6-Inch Gate Valve Assembly	EA	3	\$ 2,500.00	\$ 7,500.00	
4	New 1/2" Air Release Valve Assembly	EA	3	\$ 1,500.00	\$ 4,500.00	
	<b>Interconnect Well #4 to Well #2</b>					
5	New 6-Inch Class 200 PVC Pipe	LF	1500	\$ 30.00	\$ 45,000.00	
6	New 6-Inch Gate Valve Assembly	EA	3	\$ 2,500.00	\$ 7,500.00	
7	New 1/2" Air Release Valve Assembly	EA	3	\$ 1,500.00	\$ 4,500.00	
	<b>Install PRV Station</b>					
8	PRV Station	EA	2	\$ 10,000.00	\$ 20,000.00	
	<b>Install Arsenic Treatment System</b>					
9	Treatment System 450-500 gpm)	EA	1	\$ 300,000.00	\$ 300,000.00	
10	Site Electrical	EA	1	\$ 22,500.00	\$ 22,500.00	
11	Shade Structure	EA	1	\$ 17,500.00	\$ 17,500.00	
	<b>Plug and Abandon Wells</b>					
12	Plug and Abandon Wells	LS	1	\$ 10,000.00	\$ 10,000.00	
	<b>Miscellaneous Pipe Replacement</b>					
13	Mobilization Demobilization	LS	1	\$ 20,000.00	\$ 20,000.00	
14	New 6-Inch Class 200 PVC Pipe	LF	500	\$ 55.00	\$ 27,500.00	
15	New 6-Inch Gate Valve Assemble	EA	1	\$ 2,500.00	\$ 2,500.00	
16	New 1/2" Air Release Valve Assembly	EA	1	\$ 1,500.00	\$ 1,500.00	
	<b>Relocate Main and Service Lines to Public R-O-W</b>					
17	New 6-Inch Class 200 PVC Pipe	LF	1200	\$ 55.00	\$ 66,000.00	
18	New 6-Inch Gate Valve Assemble	EA	2	\$ 2,500.00	\$ 5,000.00	
19	New 1" Service Line and Appurtenances	EA	25	\$ 1,250.00	\$ 31,250.00	
20	Sawcut, Remove and Replace Pavement/Sidewalk	SY	500	\$ 40.00	\$ 20,000.00	
	<b>New Water Service Lines</b>					
21	New 1" Service Line and Appurtenances	EA	25	\$ 1,250.00	\$ 31,250.00	
	<b>Replace Water Meters</b>					
22	New 1" Lockable Water Meter	EA	25	\$ 300.00	\$ 7,500.00	
	<b>Install Fire Hydrant Locks</b>					
23	New 1" Lockable Water Meter	EA	10	\$ 500.00	\$ 5,000.00	
	<b>Water Model Calibration and Maintenance</b>					
24	Site Visits (2 per year)	EA	2	\$ 900.00	\$ 1,800.00	
25	Fire Flow Tests	EA	2	\$ 900.00	\$ 1,800.00	
26	Model Calibration	EA	2	\$ 1,000.00	\$ 2,000.00	
	<b>System Map Maintenance</b>					
27	Site Visits (3 per year)	EA	3	\$ 900.00	\$ 2,700.00	
					\$ 767,300.00	
	Administration and Legal Expenses		2% of Construction Cost	\$	15,346.00	
	Land, Structures, and Right-Of-Way		NA	\$	-	
	Relocations		NA	\$	-	
	Arch and Engineering Fees		8% of Construction Cost	\$	61,384.00	
	Other A and E Fees (Survey, Geotech, etc)		2% of Construction Cost	\$	15,346.00	
	Project Inspection Fees		3.5% of Construction Cost	\$	26,855.50	
	Subtotal			\$	886,231.50	
	Contingencies, 20%			\$	177,246.30	
	<b>Total Project Costs</b>				\$ 1,063,478.00	

# **EXHIBIT 2**



**Valle Verde Water Company**  
**Balance Sheet as of 12/31/08**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	ASSETS	TEST YEAR END BALANCE @ 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2008 ADJUSTED FOR WIFA LOAN
	<b>CURRENT AND ACCRUED ASSETS</b>			
131	Cash	\$ 50,714		\$ 50,714
134	Working Funds			
135	Temporary Cash Investments			
141	Customer Accounts Receivable	112,060		112,060
146	Notes/Receivables from Associated Companies			
151	Plant Material and Supplies			
162	Prepayments			
174	Miscellaneous Current and Accrued Assets			
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 162,774	\$ -	\$ 162,774
	<b>FIXED ASSETS</b>			
101	Utility Plant In Service	\$ 2,858,608	\$ 1,063,478	\$ 3,922,086
103	Property Held for Future Use			
105	Construction Work In Progress			
108	Accumulated Depreciation - Utility Plant ("AD-UP")	(1,461,206)		(1,461,206)
121	Non-Utility Property			
122	Accumulated Depreciation - Non Utility ("AD-NU")			
	<b>TOTAL FIXED ASSETS</b>	\$ 1,397,402	\$ 1,063,478	\$ 2,460,880
	<b>TOTAL ASSETS</b>	\$ 1,560,176	\$ 1,063,478	\$ 2,623,654

**Valle Verde Water Company**  
**Balance Sheet as of 12/31/08 (continued)**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	LIABILITIES	TEST YEAR END BALANCE @ 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR END 12/31/2008 ADJUSTED FOR WIFA LOAN
	<b>CURRENT LIABILITIES</b>			
231	Accounts Payable	\$ 294,938		\$ 294,938
232	Notes Payable (Current Portion)			
234	Notes/Accounts Payable to Associated Companies			-
235	Customer Deposits	27,692		27,692
236	Accrued Taxes	4,102		4,102
237	Accrued Interest			
241	Miscellaneous Current and Accrued Liabilities			
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 326,732	\$ -	\$ 326,732
	<b>LONG-TERM DEBT (Over 12 Months)</b>			
224	Long-Term Notes and Bonds	\$ 12,463	\$ 1,063,478	\$ 1,075,941
	<b>DEFERRED CREDITS</b>			
251	Unamortized Premium on Debt			
252	Advances in Aid of Construction	\$ 1,518,730		\$ 1,518,730
255	Accumulated Deferred Investment Tax Credits			
271	Gross Contributions in Aid of Construction	502,640		502,640
272	Less: Amortization of contributions	(25,132)		(25,132)
281	Accumulated Deferred Income Tax			
	<b>TOTAL DEFERRED CREDITS</b>	\$ 1,996,238	\$ -	\$ 1,996,238
	<b>TOTAL LIABILITIES</b>	\$ 2,335,433	\$ 1,063,478	\$ 3,398,911
	<b>CAPITAL ACCOUNTS</b>			
201	Common Stock Issued			\$ -
211	Paid in Capital in Excess of Par Value			-
215	Retained Earnings			-
218	Proprietary Capital (Sole Props and Partnerships)	\$ (775,257)		(775,257)
	<b>TOTAL CAPITAL</b>	\$ (775,257)	\$ -	\$ (775,257)
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 1,560,176	\$ 1,063,478	\$ 2,623,654

# **EXHIBIT 3**

**Valle Verde Water Company**  
**Income Statement from January through December of 2008**  
**Includes Proforma Adjustments for WIFA Financing**

<b>Description</b>	<b>Actual for Test Year Ended 31-Dec-08</b>	<b>Proforma Adjustments Including WIFA Loan</b>	<b>Test Year Results After Pro Forma Adjustments</b>	<b>Proposed Rate Increase</b>	<b>Adjusted Test Year With Rate Increase</b>
<b>Operating Revenues:</b>					
461 Metered Water Revenue	\$ 437,387	\$ 11,928	\$ 449,315	\$ 497,753	\$ 947,068
474 Other Water Revenue	6,033		6,033		6,033
<b>Total Operating Revenue</b>	<b>\$ 443,420</b>	<b>\$ 11,928</b>	<b>\$ 455,348</b>	<b>\$ 497,753</b>	<b>\$ 953,101</b>
<b>Operating Expenses:</b>					
601 Salaries & Wages	\$ 71,814		\$ 71,814		\$ 71,814
610 Purchased Water	187,158		187,158		187,158
615 Purchased Power	38,214		38,214		38,214
618 Chemicals	919		919		919
620 Repairs & Maintenance	58,561		58,561		58,561
621 Office Supplies and Expense	18,166		18,166		18,166
630 Outside Services	152,005		152,005		152,005
635 Water Testing	10,447		10,447		10,447
641 Rental Expense			-		-
650 Transportation Expense	10,277		10,277		10,277
657 Insurance - General Liability	10,940		10,940		10,940
659 Insurance - Health and Life			-		-
666 Rate Case Expense		8,333	8,333		8,333
675 Miscellaneous Expense	1,056		1,056		1,056
403 Depreciation & Amortization	127,449	39,214	166,663		166,663
408 Property Taxes	14,129		14,129		14,129
408.1 Taxes Other Than Income	8,503		8,503		8,503
409 Income Taxes			-		-
<b>Total Operating Expenses</b>	<b>\$ 709,638</b>	<b>\$ 47,547</b>	<b>\$ 757,186</b>	<b>\$ -</b>	<b>\$ 757,186</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (266,218)</b>	<b>\$ (35,619)</b>	<b>\$ (301,837)</b>	<b>\$ 497,753</b>	<b>\$ 195,915</b>
<b>Other Income/(Expense):</b>					
419 Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
427 Interest Expense	(1,184)	(52,452)	(53,636)		(53,636)
<b>Total Other Income/(Expense)</b>	<b>\$ (1,184)</b>	<b>\$ (52,452)</b>	<b>\$ (53,636)</b>	<b>\$ -</b>	<b>\$ (53,636)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (267,402)</b>	<b>\$ (88,071)</b>	<b>\$ (355,474)</b>	<b>\$ 497,753</b>	<b>\$ 142,279</b>

**Valle Verde Water Company**  
**Utility Plant in Service and Depreciation Expense**  
**Includes Proforma Adjustments for WIFA Financing**

Acct. No.	Description	ORIGINAL COST @ TEST YEAR END 12/31/2008	WIFA LOAN PROFORMA ADJUSTMENTS	TEST YEAR INCLUDING WIFA ADJUSTMENTS	PROPOSED DEPRECIATION RATES	PROPOSED DEPRECIATION EXPENSE
301	Organization	\$ 125		\$ 125	20.0000%	\$ -
302	Franchises					
303	Land and Land Rights	86,093		86,093		\$ -
304	Structures and Improvements	500,114	24,255	524,369	3.3300%	17,461
307	Wells and Springs	557,589	13,860	571,449	3.3300%	19,029
311	Electric Pumping Equipment	292,876	27,720	320,596	12.5000%	40,075
320	Water Treatment Equipment	-		-		-
320.1	Water Treatment Plants	-	446,985	446,985	3.3300%	14,885
320.2	Solution Chemical Feeders	11,504		11,504	20.0000%	2,301
330	Distrib Reservoirs/Standpipes	366,501		366,501	3.6100%	13,231
330.1	Storage Tanks	-		-	2.2200%	-
330.2	Pressure Tanks	-		-	5.0000%	-
331	Transmission and Distrib Mains	579,729	490,020	1,069,749	2.0000%	21,395
333	Services	51,108	43,313	94,421	3.3300%	3,144
334	Meters	93,702	17,325	111,027	8.3300%	9,249
335	Hydrants	35,007		35,007	2.0000%	700
336	Backflow Prevention Devices	-		-	6.6700%	-
339	Other Plant & Misc Equipment			-	6.6700%	-
340	Office Furniture and Equip	16,552		16,552	6.6700%	1,104
340.1	Computers & Software			-	20.0000%	-
341	Transportation Equipment	71,364		71,364	20.0000%	14,273
343	Tools, Shop & Garage Equip.	11,729		11,729	5.0000%	586
344	Laboratory Equipment			-	10.0000%	-
345	Power Operated Equipment	44,869		44,869	5.0000%	2,243
346	Communications Equipment			-	10.0000%	-
347	Miscellaneous Equipment			-	10.0000%	-
348	Other Tangible Plant	139,746		139,746	5.0000%	6,987
	<b>TOTALS</b>	<b>\$ 2,858,608</b>	<b>\$ 1,063,478</b>	<b>\$ 3,922,086</b>		<b>\$ 166,663</b>

ORIGINAL

EXHIBIT

A-3  
ADMITTED

1 Steve Wene, No. 019630  
2 MOYES SELLERS & SIMS LTD.  
3 1850 N. Central Avenue, Suite 1100  
4 Phoenix, Arizona 85004  
5 (602)-604-2189  
6 swene@lawms.com  
7 Attorneys for Valle Verde Water Company

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AZ CORP COMMISSION  
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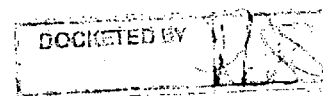
BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

10 KRISTIN K. MAYES, CHAIRMAN  
11 GARY PIERCE  
12 PAUL NEWMAN  
13 SANDRA D. KENNEDY  
14 BOB STUMP

Arizona Corporation Commission  
DOCKETED

MAR 11 2010



15 APPLICATION OF ESTATE OF  
16 WILLIAM F. RANDALL DBA VALLE  
17 VERDE WATER COMPANY FOR AN  
18 INCREASE IN ITS WATER RATES

Docket No. W-01431A-09-0360  
W-01431A-09-0361

NOTICE OF FILING OF DIRECT  
TESTIMONY AND POTENTIAL  
EXHIBITS

19  
20 Valle Verde Water Company ("Company"), hereby gives notice that it is filing the  
21 direct testimony of the following witnesses:

- 22 • Bonnie O'Connor (Attachment 1);
- 23 • Sonn Rowell (Attachment 2); and
- 24 • Greg Carlson (Attachment 3).

25 The direct testimony of each of these witnesses is being submitted with this notice.  
26  
27  
28

1 The Company intends to offer the rate and finance applications as evidence, and  
2 these applications will be sponsored by appropriate witnesses. The Company reserves  
3 the rights to rely on any testimony or evidence offered during the proceedings in this  
4 matter.  
5

6 RESPECTFULLY SUBMITTED this 11<sup>th</sup> day of March, 2010.  
7

8 Moyes Sellers & Sims Ltd.  
9

10 

11 Steve Wene

12 Attorneys for Valle Verde Water Company  
13

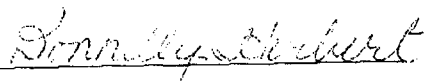
14 Original and 15 copies of the foregoing  
15 filed this 11<sup>th</sup> day of March, 2010, with:

16 Docket Control  
17 Arizona Corporation Commission  
18 1200 West Washington  
19 Phoenix, Arizona 85007  
20

21 Copy of the foregoing mailed this  
22 11<sup>th</sup> day of March, 2010, to:

23 Janice Alward, Chief Counsel  
24 Legal Division  
25 Arizona Corporation Commission  
26 1200 W. Washington Street  
27 Phoenix, Arizona 85007  
28

Ernest Johnson, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007



# **ATTACHMENT 1**



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6 Attorneys for Valle Verde Water Company

7  
8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

10 KRISTIN K. MAYES, CHAIRMAN  
11 GARY PIERCE  
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13 SANDRA D. KENNEDY  
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17 VERDE WATER COMPANY FOR AN  
18 INCREASE IN ITS WATER RATES

Docket No. W-01431A-09-0360  
W-01431A-09-0361

19 **REBUTTAL TESTIMONY OF  
20 BONNIE O'CONNOR**

21 **Q-1 Please state your name and current employment position:**

22 **A-1** Bonnie O'Conner  
23 President, Southwestern Utility Management, Inc.

24 **Q-2 Describe your educational and professional background:**

25 **A-2** I am currently the President of Southwestern Utility Management, Inc., which the  
26 Arizona Corporation Commission has appointed as the Interim Manager of the Company.  
27 I have worked in an administrative and management capacity for more than 50 Arizona  
28 utilities for approximately 30 years.

1  
2 **Q-3 What is the purpose of your testimony?**

3 **A-3** I am responsible for overseeing the rate and finance applications in this matter. I  
4 have reviewed the applications and submittals filed on behalf of the Company and I  
5 incorporate those documents by reference herein. I can address issues related to the  
6 operations and management of the Company. At this point, I have no issues that need to  
7 be expressly stated in my testimony, but I concur with the rebuttal testimony filed by  
8 Greg Carlson and Sonn Rowell.  
9  
10

11 **Q-4 Does that conclude your testimony?**

12 **A-4** Yes.  
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# **ATTACHMENT 2**

1 Steve Wene, No. 019630  
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7  
8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

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15 APPLICATION OF ESTATE OF  
16 WILLIAM F. RANDALL DBA VALLE  
17 VERDE WATER COMPANY FOR AN  
18 INCREASE IN ITS WATER RATES

Docket No. W-01431A-09-0360  
W-01431A-09-0361

**REBUTTAL TESTIMONY OF SONN  
ROWELL**

19 **Q-1 Please state your name and current employment position:**

20 **A-1** My name is Sonn S. Rowell, and I am a Certified Public Accountant employed as  
21 a regulatory consultant for Desert Mountain Analytical Services PLLC ("DMAS"), where  
22 I am a managing member.  
23

24 **Q-2 Describe your educational and professional background:**

25 **A-2** I have a Bachelor of Science Degree in Accounting from Arizona State University,  
26 as well as my CPA certification from the Arizona State Board of Accountancy. I have  
27 worked for many years in the practice of public accounting, and have held part-time  
28

1 teaching positions at Mesa Community College. After employment with the Utilities  
2 Division of the Arizona Corporation Commission for four years, I started DMAS and  
3 now specialize in regulatory accounting and consulting.  
4

5 **Q-3 What is the purpose of your testimony?**

6 **A-3** The purpose of my testimony is to elaborate on the previously filed financial  
7 schedules in the rate application and the financing of the WIFA debt proposed in this  
8 case, which includes projections and calculations in support of a rate adjustment for this  
9 utility. I have also reviewed Staff's testimony related to their proposed rates and  
10 financing and I am prepared to comment upon those proposals as well.  
11

12 **Q-4 What was your role in developing the Company's proposed rates and**  
13 **financing?**  
14

15 **A-4** I was the person who calculated the Company proposed revenue requirements and  
16 rates, including adjustments for financing.  
17

18 **Q-5 Have you reviewed Staff's proposed rates and financing as set forth in the**  
19 **Direct Testimony of Pedro M. Chaves and Dorothy M. Hains dated February 11,**  
20 **2010 in this matter?**

21 **A-5** Yes.

22 **Q-6 Do you agree with Staff's proposed rate design methodology?**

23 Generally, yes. While I do believe there are a few revisions that should be made to  
24 Staff's proposal, it is very similar to the rate design proposed by the Company. If the  
25 revisions discussed below are incorporated into Staff's proposal, then it should generate  
26 adequate revenue to meet the Company's ongoing financial needs.  
27  
28

1 **Q-7 What revisions to Staff's proposal do you believe are appropriate?**

2 First, Staff's complete disallowance of \$187,158 for Purchased Water during the  
3 Test Year is inappropriate. Although the amounts incurred during the Test Year were  
4 determined to be "non-recurring expenses" by Staff, it was indeed a legitimate cost  
5 incurred by the Company necessary to provide service to customers. In fact, a substantial  
6 portion of this amount is still owed to the City of Nogales. Considering the Company's  
7 tenuous financial situation, I believe disallowance of this legitimate expense without any  
8 chance of recovery will severely inhibit the Company's ability to repay the amounts still  
9 due to the City of Nogales.  
10  
11  
12

13 I believe consideration of recovery of the cost of the purchased water via a 10-year  
14 amortization period as detailed below is appropriate:

15  
16

Cost of Purchased Water during the Test Year	\$187,158
Recommended Amortization period (in Years)	10
Annual Amortization Expense on Income Statement	\$ 18,716
Balance carried in Rate Base	\$168,442

17  
18  
19

20 This will not result in the Company earning a rate of return on the \$168,442 because the  
21 current rate base is negative and Staff proposed rates were designed based on operating  
22 margin instead of rate of return on rate base.  
23

24 Second, if the Company has to construct a 175,000-gallon storage tank, which the  
25 engineer estimates will cost \$275,000, then Staff should adjust the rates to ensure that the  
26 Company will generate enough revenue to pay for the additional principal and interest  
27  
28

1 related to the presumed WIFA loan requirements associated with this plant and increase  
2 the debt authorization by \$275,000.  
3

4 Third, there is a small discrepancy in the rate design. Staff has pointed out to the  
5 Company that there was a clerical error in transferring Staff's proposed rates to the  
6 schedules in Staff's testimony and that Staff will correct this discrepancy in surrebuttal  
7 testimony.  
8

9 **Q-12 Does that conclude your testimony?**

10 **A-12 Yes.**  
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28

# **ATTACHMENT 3**



1 Steve Wene, No. 019630  
2 MOYES SELLERS & SIMS LTD.  
3 1850 N. Central Avenue, Suite 1100  
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5 (602)-604-2189  
6 Attorneys for Valle Verde Water Company

7  
8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

10 KRISTIN K. MAYES, CHAIRMAN  
11 GARY PIERCE  
12 PAUL NEWMAN  
13 SANDRA D. KENNEDY  
14 BOB STUMP

15 APPLICATION OF ESTATE OF  
16 WILLIAM F. RANDALL DBA VALLE  
17 VERDE WATER COMPANY FOR AN  
18 INCREASE IN ITS WATER RATES

Docket No. W-01431A-09-0360  
W-01431A-09-0361

**REBUTTAL TESTIMONY OF GREG  
CARLSON**

19 **Q-1 Please state your name and current employment position:**

20 **A-1** Greg Carlson, PE  
21 Managing Member, Greg Carlson Engineering, L.L.C.

22 **Q-2 Describe your educational and professional background:**

23 **A-2** I am a graduate of The University of Arizona, as well as Rensselaer Polytechnic  
24 Institute, in the State of New York. I hold a Bachelor of Science Degree in Geology, as  
25 well as Geological Engineering. In 1991, I received registration as a Professional Civil  
26 Engineer from the Arizona State Board of Technical Registration. I have worked in  
27 Arizona for over 25 years and I am very familiar with the region as well as the  
28 requirements of utility development.

**Q-3 What is the purpose of your testimony?**

1 A-3 The purpose of this testimony is to address proposal improvements to the  
2 Company's water system.  
3

4 Q-4 Did you review the Opinion of Probable Costs and determine that the  
5 proposed system improvements and related cost estimates are reasonable?  
6

7 A-4 Yes.  
8

9 Q-5 Did you review Staff's Engineering Report dated February 11, 2010 and  
10 related testimony?  
11

12 A-5 Yes.  
13

14 Q-6 Do you believe Staff's recommendation that the Company should construct  
15 175,000 gallons of storage is reasonable?  
16

17 A-6 Yes.  
18

19 Q-7 How much would it cost to install an additional 175,000 gallons of storage as  
20 proposed by Staff?  
21

22 A-7 Based upon my experience, I estimate it will cost \$275,000 to install a 175,000  
23 storage tank and requisite appurtenances.  
24

25 Q-8 Does that conclude your testimony?  
26

27 A-8 Yes.  
28

ORIGINAL

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## BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

9 KRISTIN K. MAYES, CHAIRMAN  
10 GARY PIERCE  
11 PAUL NEWMAN  
12 SANDRA D. KENNEDY  
13 BOB STUMP

14 APPLICATION OF ESTATE OF  
15 WILLIAM F. RANDALL DBA VALLE  
16 VERDE WATER COMPANY FOR AN  
17 INCREASE IN ITS WATER RATES

Docket No. W-01431A-09-0360  
W-01431A-09-0361

NOTICE OF FILING OF  
REJOINDER TESTIMONY AND  
POTENTIAL EXHIBITS

18  
19 Valle Verde Water Company hereby gives notice that it is filing the rejoinder  
20 testimony of Sonn Rowell, and related potential exhibits, which is set forth in  
21 Attachment 1.

RESPECTFULLY SUBMITTED this 12th day of April, 2010.

Moyes Sellers &amp; Sims Ltd.

Arizona Corporation Commission  
DOCKETED

APR 12 2010

DOCKETED BY



Steve Wene  
Attorneys for Valle Verde Water Company

1 Original and 15 copies of the foregoing  
2 filed this 12<sup>th</sup> day of April, 2010, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 Phoenix, Arizona 85007

7 Copy of the foregoing mailed this  
8 12<sup>th</sup> day of April, 2010, to:

9 Charles Hains  
10 Legal Division  
11 Arizona Corporation Commission  
12 1200 W. Washington Street  
13 Phoenix, Arizona 85007

14 Donnelly, Herbert  
15  
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# **ATTACHMENT 1**

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2 MOYES SELLERS & SIMS LTD.  
3 1850 N. Central Avenue, Suite 1100  
4 Phoenix, Arizona 85004  
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7  
8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **COMMISSIONERS**

10 KRISTIN K. MAYES, CHAIRMAN  
11 GARY PIERCE  
12 PAUL NEWMAN  
13 SANDRA D. KENNEDY  
14 BOB STUMP

15 APPLICATION OF ESTATE OF  
16 WILLIAM F. RANDALL DBA VALLE  
17 VERDE WATER COMPANY FOR AN  
18 INCREASE IN ITS WATER RATES

Docket No. W-01431A-09-0360  
W-01431A-09-0361

19 **REJOINDER TESTIMONY OF SONN  
20 ROWELL**

21 **Q-1 Why is the company filing updated schedules with rejoinder testimony when**  
22 **none were filed with rebuttal testimony?**

23 **A-1** Staff's surrebuttal testimony raised a number of issues for this Company that  
24 needed to be addressed in rejoinder and illustrated with schedules.

25 **Q-2 Has the Company adopted any of Staff's rate base adjustments?**

26 **A-2** Yes. For purposes of limiting the number of differences at the hearing scheduled  
27 in this matter, the Company has accepted Staff's adjustments to remove the pro  
28 forma plant to be constructed with the proceeds of the WIFA loan (Surrebuttal

1 Schedule PMC-4), as well as Staff's adjustment to disallow the working capital  
2 allowance (Surrebuttal Schedule PMC-5).  
3

4 **Q-3 Is the Company proposing any other adjustments to rate base?**  
5

6 **A-3** Valle Verde is proposing four additional adjustments that are interrelated, partially  
7 as a result of new adjustments in Staff's surrebuttal testimony. *See Exhibit 1.*  
8

9 **Q-4 Please explain these four adjustments.**

10 **A-4** As a result of evaluating current AIAC, CIAC, and CIAC amortization balances,  
11 some reclassifications were made. The following adjustments are detailed on  
12 Schedule B-2a:  
13

- 14  
15 1. \$1,500 was reclassified from AIAC to CIAC for a line extension partial  
16 payment.
- 17 2. \$4,782 was reclassified from CIAC to utility plant in service for amounts  
18 paid to contractors for amounts that should be capitalized.
- 19 3. \$93,818 was removed from CIAC due to the fact that the grant funds were  
20 received at the end of the test year and had not been utilized at the end of  
21 the test year.
- 22 4. CIAC amortization for the test year as well as amortization on a going  
23 forward basis for assets in service was recalculated using the same  
24 amortization rate as the depreciation rate of the assets placed in service with  
25 the CIAC funds. The Company's direct testimony overstated this amount  
26 by amortizing unused CIAC as well as utilization of an incorrect  
27 amortization rate.

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1 **Q-5 Are there any other changes to rate base?**

2 **A-5** There is a small change to accumulated depreciation as a result of the plant  
3 reclassifications Staff made in its surrebuttal testimony per Schedule PMC-11, as  
4 well as the costs Valle Verde reclassified from CIAC that were capitalized.  
5

6  
7 **Q-6 Please explain the reason for Adjustment A on Schedule C-1.**

8 **A-6** Initially, this adjustment added surcharge revenue for the months of the test year  
9 that had not included the emergency surcharge. Based on Staff's adjustment  
10 number 1 on Surrebuttal Schedule PMC-6 to remove this revenue as a "non-  
11 recurring surcharge", the Company has removed surcharge revenue from the test  
12 year as well, but at the amount generated during the test year per the Company  
13 records.  
14  
15

16  
17 **Q-7 Does Valle Verde agree with Staff on any adjustments to operating expenses?**

18 **A-7** Yes. Valle Verde will adopt Staff's calculation for water testing expense as  
19 reflected by adjustment F on Schedule C-1. Staff and the Company are also in  
20 agreement on the proposed amount for rate case expense as reflected on  
21 Surrebuttal Schedule PMC-8 and Rejoinder Schedule C-1 (adjustment B).  
22  
23

24 **Q-8 Based on Schedule C-1, it appears as though the Company has accepted**  
25 **Staff's removal of purchased water expense in the amount of \$187,158?**

26 **A-8** The Company understands why Staff wants to remove purchased water from test  
27 year expenses for purposes of determining permanent rates as reflected by  
28 Adjustment E on Schedule C-1. But Staff does not offer any alternative revenue



1 that would enable the Company to repay its debt owed to the City of Nogales  
2 ("City"). In response, Valle Verde is proposing recovery of the remaining balance  
3 due the City by means of a new, temporary surcharge that will only be used to  
4 satisfy that financial obligation.  
5

6  
7 **Q-9 Staff asserts that the emergency surcharge was set to recover the difference**  
8 **between the cost of the water from the City and what Valle Verde could**  
9 **charge its customers. Do you agree with Staff's position?**

10 **A-9** Partially. Commission Decision No. 70098 approved the surcharge to make  
11 necessary repairs and address the ongoing monthly operating deficit. The  
12 surcharge was not intended to solely recover the cost of purchased water. The  
13 Decision gave the management company appointed by the Commission wide  
14 latitude to correct ongoing system problems, and do whatever necessary to provide  
15 water to customers of a system very much in distress. The need to purchase water  
16 was merely one of the expenses necessary for the emergency surcharge to ensure  
17 the customers had water. Schedule C-2c details the total amount the Company had  
18 to spend on water during the time of the system outages, which began prior to the  
19 test year and before implementation of the emergency surcharge.  
20  
21  
22

23 **Q-10 It appears as though Valle Verde has repaid a substantial amount of the total**  
24 **amount due the City for purchased water?**

25 **A-10** That is correct. Now that the Company is in a better position from an operational  
26 standpoint, it is no longer purchasing water from the City and it has been making  
27  
28

1 regular payments toward the balance owed. If the surcharge is eliminated and the  
2 balance due the City is not included in the revenue requirement going forward,  
3 however, Valle Verde's ability to generate sufficient funds to pay the amount still  
4 due would be significantly impaired.  
5

6  
7 **Q-11 Does Valle Verde have a proposal that will ensure it is able to pay the amount**  
8 **still due the City, yet exclude purchased water from the ongoing revenue**  
9 **requirement?**

10 **A-11** Yes. As detailed on Schedule C-2c, Valle Verde is proposing a flat monthly  
11 surcharge per customer per month until the City is paid in full. The Company  
12 would calculate the exact amount of the surcharge using the formula on Schedule  
13 C-2c at the time the surcharge would go into effect using the current customer  
14 count and balance still due the City at that time. This surcharge amount would  
15 be collected from each customer every month for only 18 months when the  
16 obligation is calculated to be fulfilled.  
17  
18

19  
20 **Q-12 Is this surcharge revenue shown on Schedule C-1 as Adjustment H?**

21 **A-12** Yes. I have calculated what would be recovered in one year based on the  
22 assumptions on Schedule C-2c. Adjustment H, however, only appears on  
23 Schedule C-1 for exhibition purposes. Since it will be essentially a pass through  
24 of funds from the customers to the City, and the expense is not on the income  
25 statement, the \$56,667 the surcharge will generate in a year is not included in the  
26 revenue requirement or any of the totals. The schedule is presented this way to  
27  
28

1 keep that revenue separate from the base case revenue requirement and operating  
2 expenses, since it is temporary.  
3

4 **Q-13 Does Valle Verde agree with Staff's calculation of proposed depreciation**  
5 **expense?**

6 **A-13** Staff and the Company agree on most of the elements that make up depreciation  
7 expense, now that Valle Verde has excluded depreciation expense related to the  
8 proposed WIFA plant from operating expenses. Schedule C-2a and Staff  
9 Surrebuttal Schedule PMC-11 show that proposed depreciation by both parties is  
10 within less than \$450 (\$136,641 versus Staff's \$136,192). This difference can be  
11 attributed in part to the addition of \$4,782 to plant by the Company in rejoinder  
12 testimony that is not yet adopted by Staff.  
13  
14  
15

16 **Q-14 What is the difference between Staff and the Company regarding**  
17 **depreciation expense?**

18 **A-14** CIAC amortization is substantially less than Staff's calculation using a composite  
19 rate of 4.9124%. Additionally, \$93,818 of the CIAC funds received had been used  
20 to construct assets at the end of the test year, and has been removed from the  
21 CIAC amortization calculation as reflected on Schedule B-2a. The Company is  
22 able to identify which assets were constructed with the contributed funds, and  
23 amortized the CIAC at the same rate the related asset is depreciated as detailed on  
24 Schedule C-2a, which Valle Verde believes is more accurate.  
25  
26  
27  
28

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1  
2 ////

3 **Q-15 Did you update interest expense adjustment D on Schedule C-1 for the**  
4 **additional storage tank Staff is recommending?**

5 **A-15** Yes, and I have provided support for my calculation on Schedule C-2b, which  
6 results in annual interest expense of \$63,045 related to the revised WIFA loan  
7 amount of \$1,278,238.  
8

9  
10 **Q-16 Is this the same amount that Staff used on Surrebuttal Schedule PMC-6 for**  
11 **interest expense on the proposed WIFA loan?**

12 **A-16** No. Staff stated the amount is \$56,695, which is \$6,351 less than the Company's  
13 calculations. Based on the documentation provided by Staff, I am unable to  
14 determine why our amounts differ.  
15

16 **Q-17 Do you agree with Staff's adjustment that ultimately reduces property tax**  
17 **expense from \$14,129 to \$9,108 at proposed rates?**

18 **A-17** No. Although Staff utilized a composite property tax rate provided by the  
19 Company on Surrebuttal Schedule PMC-12, it is unclear why Staff is reducing the  
20 property tax expense. Valle Verde believes that property taxes will not decrease  
21 as indicated by Staff. Valle Verde has provided Staff proof that property tax  
22 expense for the test year was in fact \$14,129 for all the Company's parcels.  
23  
24

25 **Q-18 Was the test year amount for property taxes unusually high?**  
26

27 **A-18** No. In fact, the amount for annual property tax expense as reflected on Schedules  
28 E-2 and E-8 illustrate that the historical test year property tax expense is most

1 reflective of what actual property tax expense will be going forward, and seems  
2 more reasonable than a reduced amount calculated by a formula.  
3

4 **Q-19 So the Company is proposing to retain the historical test year property tax**  
5 **expense amount of \$14,129 in lieu of basing proposed property tax expense on**  
6 **the formula used by Staff, which results in a reduction of \$5,021 from actual**  
7 **test year expense?**

8 **A-19** That is correct. Reducing this annual expense, which has historical support, by  
9 over \$5,000 may put the Company at financial risk.

10 **Q-20 Please explain the difference between Staff's proposed revenue increase**  
11 **versus that proposed by the Company.**

12 **A-20** Staff is proposing an increase to revenue of \$285,070 as reflected on Surrebuttal  
13 Schedule PMC-1, and Valle Verde is proposed an increase of \$389,041 on  
14 Schedule A-1, a difference of \$103,971.

15  
16 **Q-21 What is the source of the difference?**

17 **A-21** For the most part, it is the operating margin percent. Staff's operating margin of  
18 10.20% does not generate sufficient revenue to meet all of Valle Verde's  
19 operational obligations. Referring to Schedule PMC-6, Staff is recommending  
20 operating income of \$57,295, and after subtracting Staff's recommended interest  
21 expense of \$56,695, the Company is left with only \$600 of net income.  
22

23  
24 **Q-22 What does this mean for Valle Verde going forward if Staff's**  
25 **recommendations are adopted by the Commission?**

26 **A-22** This would continue the ongoing uncertainty regarding the Company's ability to  
27 meet its financial obligations. A \$600 net income leaves the Company no cushion  
28

1 for contingencies. In reality, Valle Verde will be forced to use cash flow from  
2 depreciation expense to service the principal on the WIFA loan, thereby  
3 eliminating recovery of the current plant assets cost in rates.  
4

5  
6 **Q-23 On Schedule A-1, AIAC repayments in the amount of \$15,000 was used in the**  
7 **debt service coverage ratio ("DSCR") calculation. Did Staff use AIAC**  
8 **repayments in their DSCR calculation?**

9 **A-23** Staff used \$50, however, this amount is not correct. Since Valle Verde did not  
10 make any advance repayments during the test year, the amount of AIAC on the  
11 books did not decrease during the year. In preparing this rejoinder testimony it  
12 was discovered that due to the lack of revenue and cash flow, AIAC repayments  
13 have not been made. In fact, AIAC repayments have not been made for several  
14 years now.  
15

16  
17 **Q-24 Why has the Company not made the AIAC repayments recently?**

18 **A-24** The management company has spoken with the people who are entitled to receive  
19 the AIAC payments about the Company's financial situation, and they agreed to  
20 forego payment until the Company can better afford to pay them. In addition, the  
21 management company is in the process of determining who is on the lines that  
22 would determine the revenue to which the AIAC payment percent would be  
23 applied. Consequently, AIAC repayment amounts must be estimated for purposes  
24 of this case.  
25  
26

27 ////

28 ////

1  
2 **Q-25 Why is there so much uncertainty regarding which customers are on the line**  
3 **financed by AIAC?**

4 **A-25** Unfortunately, when the prior owner of Valle Verde, Frank Randall, passed, the  
5 Company lost most of its institutional knowledge and the Company devolved into  
6 turmoil. The Commission appointed an interim management company to run  
7 Valle Verde. Since being appointed, the management company has been  
8 addressing daunting tasks, including source water quality issues, major line  
9 breaks, and the need to purchase water at a higher cost than what the Company can  
10 charge its customers as well as numerous other operational and financial issues  
11 that required immediate attention and funding. If estimated AIAC repayments are  
12 not considered in setting rates for this case, it will impair the Company's ability to  
13 make those payments going forward.  
14  
15  
16

17 **Q-26 Does this conclude your testimony?**  
18

19 **A-26** Yes.  
20  
21  
22  
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# EXHIBIT 1



**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule A-1**  
**Title: Computation of Increase in Gross**  
**Revenue Requirements.**

Explanation:  
Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Special Reqmt	<input type="checkbox"/>

	Original Cost	RCND
1. Adjusted Rate Base	\$ (527,095) (a)	(a)
2. Adjusted Operating Income	\$ (243,754) (b)	(b)
3. Current Rate of Return	0.00%	
4. Required Operating Income	\$ (26,355)	
5. Required Rate of Return	5.00%	
6. Operating Income Deficiency (4 - 2)	not meaningful	
7. Gross Revenue Conversion Factor	1.0000 (c)	(c)
8. Increase in Gross Revenue Requirements (6 x 7)	not meaningful	

9. Proposed Revenue	\$ 666,192
10. Required Operating Margin	21.81%
11. Required Operating Income (9 x 10)	\$ 145,287
12. Operating Income Deficiency (11 - 2)	\$ 389,041
13. Gross Revenue Conversion Factor	1.0000
14. Increase in Gross Revenue Requirements (12 x 13)	<u>\$ 389,041</u>
<i>WIFA DSCR check calculation</i>	
15. Proposed Operating Income	\$ 145,287
16. Annual Proposed Debt Service Amount + AIAC repayments <sup>1</sup>	<u>116,230</u>
17. Debt Service Coverage Ratio (15 / 16)	1.25

Customer Classification	Revenue at Present Rates	Revenue at Proposed Rates	Dollar Increase	Percent Increase	
Residential	\$ 288,718	\$ 406,990	\$ 118,272	40.96%	(d)
Commercial	148,669	253,169	104,500	70.29%	
Other Revenue	6,033	6,033	-	0.00%	
Total	<u>\$ 443,420</u>	<u>\$ 666,192</u>	<u>\$ 222,772</u>	50.24%	

Note: For combination utilities, the above information should be presented in total and by department.

<sup>1</sup> \$101,230 annual debt service amount plus estimated AIAC repayments of \$15,000.

Supporting Schedules:

- (a) B-1 (c) C-3
- (b) C-1 (d) H-1

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule A-2**  
**Title: Summary Results of Operations**

**Explanation:**

Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Description	<u>Prior Years</u>		<u>Test Year</u>		<u>Projected Year</u>	
	Year End	Year End	Actual	Adjusted	Present	Proposed
	31-Dec-06	31-Dec-07	Rates	Rates	Rates	Rates
	(a)	(a)	(a)	(b)	(c)	(c)
1. Gross Revenues	\$ 256,206	\$ 295,555	\$ 443,420	\$ 277,151	\$ 277,151	\$ 666,192
2. Revenue Deductions & Operating Expenses	(363,868)	(537,379)	(709,638)	(520,905)	(520,905)	(520,905)
3. Operating Income	(107,662)	(241,824)	(266,218)	(243,754)	(243,754)	145,287
4. Other Income and Deductions	-	1,227				
5. Interest Expense	-	-	(1,184)	(64,229)	(64,229)	(64,229)
6. Net Income	\$ (107,662)	\$ (240,597)	\$ (267,402)	\$ (307,983)	\$ (307,983)	\$ 81,058

7. Earned Per Average Common Share\*
8. Dividends Per Common Share\*
9. Payout Ratio\*
10. Return on Average Invested Capital
11. Return on Year End Capital
12. Return on Average Common Equity
13. Return on Year End Common Equity
14. Times Bond Interest Earned - Before Inc Tax
15. Times Total Interest and Preferred Dividends Earned - After Income Taxes

Ratios not meaningful due to negative equity amount.

**Supporting Schedules:**

(a) E-2

(b) C-1

(c) F-1

\*Optional for projected year

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Rejoinder Schedule A-4**  
**Title: Construction Expenditures and**  
**Gross Utility Plant in Service**

**Explanation:**

Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for:	All Utilities	<input checked="checked" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1. Prior Year 1 - 2006	\$ 5,179	\$ 5,179	\$ 2,392,226
2. Prior Year 2 - 2007	68,842	19,553	2,411,779
3. Test Year - 2008	429,955	451,611	2,863,390
4. Projected Year - 2009	244,731	263,029	3,126,419
5. Projected *			
6. Projected *			

**\* Required only for Class A and B Utilities**

NOTE: For combination utilities, above information should be presented in total and by department.

**Supporting Schedules:**

- (a) F-3
- (b) E-5

**Valle Verde Water Company**  
 Test Year Ended December 31, 2008

**Rejoinder Schedule B-1**  
**Title: Summary of Original Cost**  
**and RCND**

Explanation:  
 Schedule showing elements of adjusted original cost  
 and RCND rate bases.

Required for: All Utilities  
 Class A  
 Class B  
 Class C  
 Class D  
 Spec'l Reqmt

X

	Original Cost Rate Base*	RCND Rate Base*
1. Gross Utility Plant in Service	\$ 2,863,390	
2. Less: Accumulated Depreciation	<u>(1,460,213)</u>	
3. Net Utility Plant in Service	\$ 1,403,177 (a)	(b)
Less:		
4. Advances in Aid of Construction	(1,515,730) (c)	(c)
5. Contributions in Aid of Construction	(414,542) (c)	(c)
Add:		
6. Allowance for Working Capital	<u>-</u> (d)	(d)
7. Total Rate Base	\$ (527,095) (e)	(e)

\* Including pro forma adjustments

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

- (a) B-2 (d) B-5
- (b) B-3
- (c) E-1, B-2a

Recap Schedules:

- (e) A-1

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule B-2  
Title: Original Cost Rate Base  
Proforma Adjustments

Explanation:  
Schedule showing pro forma adjustments to gross plant  
in service and accumulated depreciation, and original  
cost rate base.

Required for: All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

	Actual at End Of Test Year (a)	Pro forma Adjustment	Adjusted at End Of Test Year (b)
1. Gross Utility Plant in Service	\$ 2,858,608	\$ 4,782 1	\$ 2,863,390
2. Less: Accumulated Depreciation	(1,461,206)	993	(1,460,213)
3. Net Utility Plant in Service	\$ 1,397,402	\$ 5,775	\$ 1,403,177
LESS:			
4. Advances in Aid of Construction (AIAC)	\$ 1,517,230	\$ (1,500) 2	\$ 1,515,730
5. Contributions in Aid of Construction (CIAC)	\$ 508,922	\$ (87,536) 3	\$ 421,386
6. Less: Accumulated Amortization	(6,844)	(0) 4	(6,844)
7. Net CIAC	\$ 502,078	\$ (87,536)	\$ 414,542
ADD:			
8. Allowance for Working Capital	\$ 52,205	\$ (52,205) 5	\$ -
9. TOTAL RATE BASE	\$ (569,701)	\$ 42,606	\$ (527,095)

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

1 Reclassify two debit amounts (checks) recorded CIAC that should have been classified as plant  
built with WQARF funding.

Check 1014 dated 12/08/08 to Jim's Electric for Invoice 6866 (to 307)	\$ 1,582
Check 1015 dated 12/08/08 to Desert Plumbing for Invoice 10501 (to 304)	3,200
Total amount of reclassifications from CIAC to Plant in Service	\$ 4,782

2 Please refer to Scheduled B-2a for detail regarding adjustments to AIAC, CIAC, and CIAC amortization.

3 Please refer to Scheduled B-2a.

4 Please refer to Scheduled B-2a.

5 Per Staff Surrebuttal Schedule PMC-2

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:  
(a) E-1, B-2a

Recap Schedules:  
(b) B-1

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Rejoinder Schedule B-2a**  
**Title: Original Cost Rate Base**  
**Proforma Adjustments**

Explanation:  
 Schedule detailing the adjustments to AIAC, CIAC and CIAC  
 amortization.

<u>Adj #</u>		
	12/31/08 CIAC balance per Company direct testimony	\$ 502,640
1 & 3	Reclassify check to wells plant account	1,582
1 & 3	Reclassify check to structures plant account	3,200
	Reclassify amount for Santa Cruz County line extension	
2 & 3	from AIAC	1,500
	Revised 12/31/08 CIAC balance for Rejoinder	<u>\$ 508,922</u>

*Detail of CIAC 12/31/08 balance:*

	WQARF funds used to upgrade well and install GAC system	\$ (405,000)	
3	HB2521 Grant - received at end of test year and not spent		\$ (93,818)
	Santa Cruz County line extension	(10,104)	
	Subtotal of spent CIAC/unspent CIAC at test year end	\$ (415,104)	\$ (93,818)
	Total adjusted CIAC balance		\$ (508,922)

*Calculation of CIAC Amortization 12/31/08 balance:*

	Full Year	First Year
Amortization of plant installed with WQARF funds @ 3.33%	\$ (13,487)	
Half year convention to match depreciation expense		\$ (6,743)
Amortization of plant installed with HB2521 funds @ 3.33%	-	
Half year convention to match depreciation expense		\$ -
Amortization of Santa Cruz County line extension @ 2.00%	(202)	
Half year convention to match depreciation expense		(101)
	<u>\$ (13,689)</u>	<u>\$ (6,844)</u>
4 Accumulated Amortization of CIAC at 12/31/08		\$ 6,844
Amortization Expense after first year	\$ 13,689	

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule B-5**  
**Title: Computation of Working**  
**Capital**

Explanation:  
Schedule showing computation of working capital allowance.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

**Amount**

1. Cash working capital		
1/24th Purchased Power		
1/24th Purchased Water		
1/8th Operation & Maintenance Expense		
2. Materials and Supplies Inventories		(a)
3. Prepayments		(a)
4. Total Working Capital Allowance	\$ -	(b)

**NOTES:**

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:  
(a) E-1

Recap Schedules:  
(b) B-1

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule C-1**  
**Title: Adjusted Test Year Income Statement**

Explanation:  
Schedule showing statement of income for the test year,  
including pro forma adjustments.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Speci Reqmt ☐

Description	Actual for Test Year Ended (a) 31-Dec-08	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
<b>Operating Revenues:</b>					
461 Metered Water Revenue	\$ 271,118		\$ 271,118	G \$ 389,041	\$ 660,159
461 Surcharge Revenue	166,270	A \$ (166,270)	-	H \$ 56,667	-
474 Other Water Revenue	6,033		6,033		6,033
<b>Total Operating Revenue</b>	<b>\$ 443,420</b>	<b>\$ (166,270)</b>	<b>\$ 277,151</b>	<b>\$ 389,041</b>	<b>\$ 666,192</b>
<b>Operating Expenses:</b>					
601 Salaries & Wages	\$ 71,814		\$ 71,814		\$ 71,814
610 Purchased Water	187,158	E (187,158)	-		-
615 Purchased Power	38,214		38,214		38,214
618 Chemicals	919		919		919
620 Repairs & Maintenance	58,561		58,561		58,561
621 Office Supplies and Expense	18,166		18,166		18,166
630 Outside Services	152,005		152,005		152,005
635 Water Testing	10,447	F (5,412)	5,035		5,035
641 Rental Expense			-		-
650 Transportation Expense	10,277		10,277		10,277
657 Insurance - General Liability	10,940		10,940		10,940
659 Insurance - Health and Life			-		-
666 Rate Case Expense		B 8,333	8,333		8,333
675 Miscellaneous Expense	1,056		1,056		1,056
403 Depreciation & Amortization	127,449	C (4,497)	122,952		122,952
408 Property Taxes	14,129		14,129		14,129
408.11 Taxes Other Than Income	8,503		8,503		8,503
409 Income Taxes			-		-
<b>Total Operating Expenses</b>	<b>\$ 709,638</b>	<b>\$ (188,734)</b>	<b>\$ 520,905</b>	<b>\$ -</b>	<b>\$ 520,905</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (266,218)</b>	<b>\$ 22,463</b>	<b>\$ (243,754)</b>	<b>(c) \$ 389,041</b>	<b>\$ 145,287</b>
<b>Other Income/(Expense):</b>					
419 Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
427 Interest Expense	(1,184)	D (63,045)	(64,229)		(64,229)
<b>Total Other Income/(Expense)</b>	<b>\$ (1,184)</b>	<b>\$ (63,045)</b>	<b>\$ (64,229)</b>	<b>\$ -</b>	<b>\$ (64,229)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (267,402)</b>	<b>\$ (40,581)</b>	<b>\$ (307,983)</b>	<b>\$ 389,041</b>	<b>\$ 81,058</b>

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:  
(a) E-2 (b) C-2

Recap Schedules:  
(c) A-1



**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule C-2**  
**Title: Income Statement Proforma**  
**Adjustments**

**Explanation:**  
Schedule itemizing pro forma adjustments to the test year income statement.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Adj No.	Explanation of Adjustment	Adjustment Amount
A	Decrease surcharge revenue to remove amounts billed during the test year, non-recurring revenue per Staff.	\$ (166,270)
B	Increase Rate Case Expense to include \$25,000 amortized over three years.	8,333
C	Adjust depreciation to reflect proposed depreciation rates applied to year end plant in service as calculated on Schedule C-2a.	(4,497)
D	Increase interest expense to include proforma adjustment for WIFA loan based on estimated terms per Schedule C-2b.	(63,045)
E	Remove test year purchased water expense determined by Staff to be a non-recurring expense. Please refer to Schedule C-2c for further detail regarding recovery of the unpaid balance for purchased water expense.	(187,158)
F	Decrease water testing expense to Staff calculated level.	(5,412)
G	Increase proposed meter water revenue per calculation on Schedule A-1.	389,041
H	Increase surcharge revenue for temporary recovery mechanism for balance of purchased water still owed to the City of Nogales as calculated on Schedule C-2c.	56,667

Note: All pro forma adjustments should be adequately explained on this schedule or on attachments thereto.

Supporting Schedules:  
C-2a C-2b

Recap Schedules:  
(a) C-1

Valle Verde Water Company  
Test Year Ended December 31, 2008

**Rejoinder Schedule C-2a**  
**Title: Income Statement Proforma**  
**Adjustments**

**Explanation:**

Schedule detailing the calculations for proforma Adjustment C to depreciation expense for the projected year income statement (excluding proposed WIFA plant).

Acct No.	Description	Depreciation Rate	Plant Amount	Proposed Depr Exp
302	Franchises	0.00%	\$ 125	\$ -
303	Land & Land Rights	0.00%	86,093	-
304	Structures & Improvements	3.33%	503,314	16,760
307	Wells & Springs	3.33%	559,171	18,620
311	Pumping Equipment	12.50%	292,876	36,610
320.1	Water Treatment Plant	3.33%	4,533	-
			6,626	221
320.2	Solution Chemical Feeders	20.00%	345	69
330.1	Storage Tanks	2.22%	285,871	6,346
330.2	Pressure Tanks	5.00%	80,630	4,032
331	T&D Mains	2.00%	579,729	11,595
333	Services	3.33%	51,108	1,702
334	Meters & Meter Installations	8.33%	93,702	7,805
335	Hydrants	2.00%	35,007	700
340.0	Office Furniture & Equipment	6.67%	16,552	1,104
340.1	computers	20.00%	-	-
341	Transportation Equipment	20.00%	71,364	14,273
343	Tools, Shop, and Garage Equipment	5.00%	11,729	586
345	Power Operated Equipment	5.00%	44,869	2,243
348	Other Tangible Plant	10.00%	139,746	13,975
TOTALS			\$ 2,863,390	\$ 136,641

Proposed Amortization of CIAC per Schedule B-2a (13,689)

Proposed Depreciation Expense	\$ 122,952
Test Year Depreciation Expense	127,449

<b>Adjustment to Depreciation Expense</b>	<b>\$ (4,497)</b>
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Supporting Schedules:

Recap Schedules:  
C-1, C-2

Valle Verde Water Company  
Test Year Ended December 31, 2008

**Rejoinder Schedule C-2b**  
**Title: Income Statement Proforma**  
**Adjustments**

Explanation:  
Schedule detailing the calculations for proforma Adjustment D to interest expense for the projected year income statement.

Amount Financed:	\$	1,278,238	Compounding Periods:	12
Number of years:		20	APR:	5.12%
Interest rate (r):		5.00%		

**PROJECTED LOAN AMORTIZATION SCHEDULE**

Period	Payment Amount (1)	Principal at Beginning of Month (2)	Interest Amount [ r * (2) ] (3)	Principal Amount [(1) - (3)] (4)	Principal at End of Month [(2) - (4)] (5)
1	\$ 8,435.81	\$ 1,278,238.00	\$ 5,325.99	\$ 3,109.81	\$ 1,275,128.19
2	8,435.81	1,275,128.19	5,313.03	3,122.77	1,272,005.42
3	8,435.81	1,272,005.42	5,300.02	3,135.78	1,268,869.63
4	8,435.81	1,268,869.63	5,286.96	3,148.85	1,265,720.78
5	8,435.81	1,265,720.78	5,273.84	3,161.97	1,262,558.82
6	8,435.81	1,262,558.82	5,260.66	3,175.14	1,259,383.67
7	8,435.81	1,259,383.67	5,247.43	3,188.37	1,256,195.30
8	8,435.81	1,256,195.30	5,234.15	3,201.66	1,252,993.64
9	8,435.81	1,252,993.64	5,220.81	3,215.00	1,249,778.64
10	8,435.81	1,249,778.64	5,207.41	3,228.39	1,246,550.25
11	8,435.81	1,246,550.25	5,193.96	3,241.85	1,243,308.40
12	8,435.81	1,243,308.40	5,180.45	3,255.35	1,240,053.05
<b>TOTALS</b>	<b>\$ 101,229.66</b>		<b>\$ 63,044.71</b>	<b>\$ 38,184.95</b>	

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Rejoinder Schedule C-2c**  
**Title: Income Statement Proforma**  
**Adjustments**

Explanation:  
 Schedule detailing the calculations for proforma Adjustment H  
 to the projected year income statement.

**General Ledger Details of Purchased Water Expense**

Type	Date	Num	Vendor	Amount	Balance
Check	02/16/2007	26749	Waters of Rio Rico	\$ 310.80	\$ 310.80
Check	03/02/2007	26787	City of Nogales	13,598.55	13,909.35
Check	03/16/2007	26812	Waters of Rio Rico	221.15	14,130.50
Check	04/06/2007	26844	City of Nogales	14,554.65	28,685.15
Check	04/13/2007	26859	Waters of Rio Rico	11.90	28,697.05
Check	05/10/2007	26908	Waters of Rio Rico	17.85	28,714.90
Check	05/10/2007	26916	City of Nogales	12,886.93	41,601.83
Check	07/18/2007	27048	Waters of Rio Rico	1,183.05	42,784.88
Check	07/23/2007	27058	City of Nogales	10,000.00	52,784.88
Bill	08/05/2007		Waters of Rio Rico	882.20	53,667.08
Bill	09/05/2007		Waters of Rio Rico	937.35	54,604.43
Bill	09/17/2007	9/10 & 9/17/07	City of Nogales	5,110.96	59,715.39
Bill	09/17/2007	9/10 & 9/17/07	City of Nogales	5,440.39	65,155.78
Bill	09/24/2007	09/24/07	City of Nogales	5,407.50	70,563.28
Bill	10/05/2007		Waters of Rio Rico	101.15	70,664.43
Bill	10/07/2007	10/01/07	City of Nogales	5,252.42	75,916.85
Bill	10/08/2007	10/08/07	City of Nogales	5,080.12	80,996.97
Bill	10/15/2007	10/15/07	City of Nogales	5,045.97	86,042.94
Bill	10/22/2007	10/22/07	City of Nogales	5,017.63	91,060.57
Bill	10/31/2007	10/29/07	City of Nogales	4,892.14	95,952.71
Bill	10/31/2007	005031	Waters of Rio Rico	119.00	96,071.71
Bill	11/05/2007	11/05/07	City of Nogales	4,840.53	100,912.24
Bill	11/13/2007	11/13/07	City of Nogales	5,553.28	106,465.52
Bill	11/19/2007	11/19/07	City of Nogales	4,284.13	110,749.65
Bill	11/26/2007	11/26/07	City of Nogales	5,623.82	116,373.47
Bill	12/15/2007	12/17/07	City of Nogales	4,558.18	120,931.65
Bill	12/17/2007	12/10/07	City of Nogales	8,664.76	129,596.41
Bill	12/21/2007	005031	Waters of Rio Rico	29.75	129,626.16
Bill	12/26/2007	12/24/07	City of Nogales	4,435.48	134,061.64
Bill	12/31/2007	34-0365-00	City of Nogales	4,394.49	138,456.13
Bill	01/09/2008	34-0365-00	City of Nogales	4,764.12	143,220.25
Bill	01/15/2008	34-0365-00	City of Nogales	5,042.93	148,263.18
Bill	01/22/2008	Purchased Water	City of Nogales	6,210.33	154,473.51
Bill	01/31/2008	005031	Waters of Rio Rico	93.15	154,566.66
Bill	02/06/2008	34-0365-00	City of Nogales	4,386.84	158,953.50
Bill	02/06/2008	34-0365-00	City of Nogales	3,960.09	162,913.59
Bill	02/13/2008	34-0365-00	City of Nogales	4,731.99	167,645.58
Bill	02/25/2008	34-0365-00	City of Nogales	5,015.85	172,661.43
Bill	02/26/2008	34-0365-00	City of Nogales	4,975.94	177,637.37
Bill	02/28/2008	34-0365-00	City of Nogales	4,088.30	181,725.67
Bill	03/10/2008	34-0365-00	City of Nogales	4,531.36	186,257.03
Bill	03/23/2008	34-0365-00	City of Nogales	3,981.34	190,238.37

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Rejoinder Schedule C-2c**  
**Title: Income Statement Proforma**  
**Adjustments**

Bill	03/25/2008	34-0365-00	City of Nogales	5,287.84	195,526.21
Bill	04/02/2008	34-0365-00	City of Nogales	4,389.69	199,915.90
Bill	04/07/2008	34-0365-00	City of Nogales	4,056.74	203,972.64
Bill	04/15/2008	34-0365-00	City of Nogales	4,331.75	208,304.39
Bill	04/23/2008	34-0365-00	City of Nogales	4,225.74	212,530.13
Bill	04/23/2008	34-0365-00	City of Nogales	4,318.08	216,848.21
Bill	05/12/2008	34-0365-00	City of Nogales	4,239.40	221,087.61
Bill	05/13/2008	34-0365-00	City of Nogales	4,252.05	225,339.66
Bill	05/19/2008	34-0365-00	City of Nogales	4,623.96	229,963.62
Bill	05/27/2008	34-0365-00	City of Nogales	5,538.61	235,502.23
Bill	06/10/2008	34-0365-00	City of Nogales	5,070.00	240,572.23
Bill	06/10/2008	34-0365-00	City of Nogales	4,304.37	244,876.60
Bill	06/16/2008	34-0365-00	City of Nogales	5,501.36	250,377.96
Bill	06/23/2008	34-0365-00	City of Nogales	5,626.60	256,004.56
Bill	07/14/2008	34-0365-00	City of Nogales	5,350.57	261,355.13
Bill	07/29/2008	34-0365-00	City of Nogales	4,642.43	265,997.56
Bill	07/29/2008	34-0365-00	City of Nogales	4,764.63	270,762.19
Bill	08/05/2008	34-0365-00	City of Nogales	4,116.44	274,878.63
Bill	08/07/2008	34-0365-00	City of Nogales	4,277.85	279,156.48
Bill	08/25/2008	34-0365-00	City of Nogales	4,375.77	283,532.25
Bill	08/25/2008	34-0365-00	City of Nogales	3,395.39	286,927.64
Bill	08/26/2008	34-0365-00	City of Nogales	4,162.61	291,090.25
Bill	08/29/2008		City of Nogales	822.18	291,912.43
Bill	09/09/2008	34-0365-00	City of Nogales	3,390.14	295,302.57
Bill	09/11/2008	34-0365-00	City of Nogales	2,707.68	298,010.25
Bill	09/25/2008	34-0365-00	City of Nogales	3,482.42	301,492.67
Bill	09/25/2008		City of Nogales	579.08	302,071.75
Bill	09/29/2008	34-0365-00	City of Nogales	2,803.88	304,875.63
Bill	10/15/2008	34-0365-00	City of Nogales	3,332.14	308,207.77
Bill	10/15/2008	34-0365-00	City of Nogales	3,718.98	311,926.75
Bill	10/22/2008	34-0365-00	City of Nogales	3,433.85	315,360.60
Bill	10/28/2008	34-0365-00	City of Nogales	2,620.96	317,981.56
Bill	11/03/2008	34-0365-00	City of Nogales	2,977.94	320,959.50
Bill	11/04/2008	34-0365-00	City of Nogales	3,459.15	324,418.65
Bill	11/19/2008	34-0365-00	City of Nogales	592.15	325,010.80
Bill	12/08/2008	34-0365-00	City of Nogales	603.79	325,614.59

Total Purchased Water during 2007 and 2008 service outages \$ 325,614.59

Amount paid to City of Nogales so far (240,614.59)

Balance still due to City of Nogales \$ 85,000.00

Current Number of Customers 840

Recovery billing periods 18

Bills to recover balance 15,120

Proposed temporary monthly surcharge amount to pay City of Nogales \$ 5.62

First year recovery amount \$ 56,666.67

Supporting Schedules:

Recap Schedules:  
C-1, C-2

Valle Verde Water Company  
Test Year Ended December 31, 2008

**Rejoinder Schedule C-3**  
**Title: Computation of Gross Revenue**  
**Conversion Factor**

Explanation:  
Schedule showing incremental taxes on gross revenues and  
the development of a gross revenue conversion factor.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Description	Percentage of Incremental Gross Revenues
Federal Income Taxes	\$ -
State Income Taxes	-
Other Taxes and Expenses:	
Payroll Taxes	
Property Taxes	
Total Tax Percentage	0.00%
Operating Income % = 100% - Tax Percentage	100.00%
Gross Revenue Conversion Factor = 1/Operating Income %	1.0000

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

Supporting Schedules:

Recap Schedules:  
(a) A-1

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule D-1**  
**Title: Summary Cost of Capital**

Explanation:  
Schedule showing elements of capital structure  
and the related cost.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

Invested Capital	End of Test Year				End of Projected Year			
	Amount	%	Cost Rate (e)	Composite Cost %	Amount	%	Cost Rate (e)	Composite Cost %
Long-Term Debt (a)	\$ 12,463	100%	10%	10%	\$ 1,290,701	100%	5.00%	5.00%
Short-Term Debt (a)	-	0%	0%	0%	-	0%	0%	0.00%
Common Equity (c)	(693,213)	0%	10%	0%	(1,048,687)	0%	10%	0.00%
Total†	\$ 12,463				\$ 1,290,701			5.00%

†Note: Negative equity is assumed to be zero for these calculations.

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Rejoinder Schedule E-1**  
**Title: Comparative Balance**  
**Sheet**

Explanation:  
 Schedule showing comparative balance sheets at the end of the  
 test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒  
 Class A ☐  
 Class B ☐  
 Class C ☐  
 Class D ☐  
 Specl Reqmt ☐

	<b>Test Year At 31-Dec-08</b>	<b>Prior Year 31-Dec-07</b>	<b>Prior Year 31-Dec-06</b>
<b>ASSETS</b>			
Property, Plant & Equipment: (a)			
101 Utility Plant In Service	\$ 2,863,390	\$ 2,411,779	\$ 2,392,226
105 Construction Work in Process		49,289	
108 Accumulated Depreciation	(1,460,213)	(1,332,872)	(1,217,309)
Total Property Plant & Equipment	\$ 1,403,177	\$ 1,128,196	\$ 1,174,917
Current Assts:			
131 Cash	\$ 50,714	\$ 6,435	\$ 31,609
141 Customer Accounts Receivable	112,060	47,489	37,478
174 Miscellaneous Current and Accrued Assets	-	50	3,517
Total Current Assets	\$ 162,774	\$ 53,974	\$ 72,604
<b>TOTAL ASSETS</b>	<b>\$ 1,565,951</b>	<b>\$ 1,182,170</b>	<b>\$ 1,247,521</b>
<b>LIABILITIES and STOCKHOLDERS' EQUITY</b>			
Capitalization: (b)			
218 Proprietary Capital	\$ (792,552)	\$ (532,179)	\$ (352,669)
Current Liabilities:			
231 Accounts Payable	\$ 294,938	\$ 172,487	\$ -
235 Customer Deposits	27,692	21,541	40,350
236 Accrued Taxes	4,102	3,091	1,421
Total Current Liabilities	\$ 326,732	\$ 197,119	\$ 41,771
224 Long-Term Debt (Over 12 Months)	\$ 12,463	\$ -	\$ -
Deferred Credits:			
252 Advances In Aid Of Construction	\$ 1,517,230	\$ 1,517,230	\$ 1,479,167
271 Contributions In Aid Of Construction	508,922	-	137,593
272 Less: Amortization of Contributions	(6,844)	-	(58,341)
Total Deferred Credits	\$ 2,019,308	\$ 1,517,230	\$ 1,558,419
Total Liabilities	\$ 2,358,503	\$ 1,714,349	\$ 1,600,190
<b>TOTAL LIABILITIES and STOCKHOLDERS' EQUITY</b>	<b>\$ 1,565,951</b>	<b>\$ 1,182,170</b>	<b>\$ 1,247,521</b>

Supporting Schedules:  
 (a) E-5

Recap Schedules:  
 (b) A-3



**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule E-2**  
**Title: Comparative Income**  
**Statements**

Explanation:  
Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Speci Reqmt ☐

	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
<b>Revenues: (a)</b>			
461 Metered Water Revenue	\$ 271,118	\$ 286,513	\$ 240,510
461 Surcharge Revenue	166,270	-	-
474 Other Water Revenue	6,033	9,042	15,696
<b>Total Revenues</b>	<b>\$ 443,420</b>	<b>\$ 295,555</b>	<b>\$ 256,206</b>
<b>Operating Expenses (a)</b>			
601 Salaries & Wages	\$ 71,814	\$ 82,841	\$ 93,653
610 Purchased Water	187,158	138,456	2,211
615 Purchased Power	38,214	11,589	36,789
618 Chemicals	919	695	1,248
620 Repairs and Maintenance	58,561	6,750	9,462
621 Office Supplies and Expense	18,166	37,066	17,830
630 Outside Services	152,005	80,993	23,369
635 Water Testing	10,447	13,346	10,495
641 Rents	-	-	2,380
650 Transportation Expense	10,277	15,120	17,247
657 Insurance - General liability	10,940	2,098	9,454
659 Insurance - Health and Life	-	1,812	-
666 Regulatory Commission Expense - Rate Case	-	-	-
675 Miscellaneous Expense	1,056	6,508	-
403 Depreciation Expense	127,449	115,563	114,944
408 Taxes Other Than Income	8,503	8,824	9,955
408 Property Taxes	14,129	15,718	14,831
409 Income Tax	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 709,638</b>	<b>\$ 537,379</b>	<b>\$ 363,868</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (266,218)</b>	<b>\$ (241,824)</b>	<b>\$ (107,662)</b>
<b>Other Income/(Expense)</b>			
419 Interest and Dividend Income	\$ -	\$ 1,227	\$ -
421 Non-Utility Income	(1,184)	-	-
427 Interest Expense	(1,184)	-	-
<b>Total Other Income/(Expense)</b>	<b>\$ (1,184)</b>	<b>\$ 1,227</b>	<b>\$ -</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (267,402)</b>	<b>\$ (240,597)</b>	<b>\$ (107,662)</b>

Supporting Schedules:  
(a) E-6

Recap Schedules:  
A-2

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule E-5**  
**Title: Detail of Utility Plant**

Explanation:  
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required for: All Utilities ☒  
Class A ☐  
Class B ☐  
Class C ☐  
Class D ☐  
Spec Reqmt ☐

Account Number	Description	End of Prior Year at 31-Dec-07	Net Additions	End of Test Year at 31-Dec-08
302	Franchises	\$ 125	\$ -	\$ 125
303	Land & Land Rights	86,093	-	86,093
304	Structures & Improvements	500,114	3,200	503,314
307	Wells & Springs	145,786	413,385	559,171
311	Pumping Equipment	289,845	3,031	292,876
320	Water Treatment Equipment	-	-	-
320.1	Water Treatment Plants	11,159	-	11,159
320.2	Solution Chemical Feeders	345	-	345
330	Distribution Reservoirs & Standpipes	-	-	-
330.1	Storage Tanks	285,179	692	285,871
330.2	Pressure Tanks.	80,630	-	80,630
331	Transmission & Distribution Mains	569,390	10,339	579,729
333	Services	50,719	389	51,108
334	Meters & Meter Installations	88,008	5,694	93,702
335	Hydrants	35,007	-	35,007
339	Other Plant and Misc Equipment	-	-	-
340	Office Furniture & Equipment	16,552	-	16,552
340.1	Computers and Software	-	-	-
341	Transportation Equipment	56,483	14,881	71,364
343	Tools, Shop, and Garage Equipment	11,729	-	11,729
345	Power Operated Equipment	44,869	-	44,869
348	Other Tangible Plant	139,746	-	139,746
<b>Total Plant In Service</b>		<b>\$ 2,411,779</b>	<b>\$ 451,611</b>	<b>\$ 2,863,390</b>
Accumulated Depreciation		1,332,872	127,342	1,460,213
Net Plant In Service		<b>\$ 1,078,907</b>	<b>\$ 324,270</b>	<b>\$ 1,403,177</b>
Construction Work in Process		49,289		
Total Net Plant		<b>\$ 1,128,196</b>	<b>\$ 324,270</b>	<b>\$ 1,403,177</b>

Supporting Schedules:

Recap Schedules:  
E-1 A-4

**Valle Verde Water Company**  
**Test Year Ended December 31, 2008**

**Rejoinder Schedule E-7**  
**Title: Operating Statistics**

**Explanation:**  
 Schedule showing key operating statistics in comparative format,  
 for the test year and the 2 fiscal years ended prior to the test year.

Required for:	All Utilities	<input checked="checked" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Specd Reqmt	<input type="checkbox"/>

	<b>Test Year</b>	<b>Prior Year</b>	<b>Prior Year</b>
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
<b>Water Statistics:</b>	<b>31-Dec-08</b>	<b>31-Dec-07</b>	<b>31-Dec-06</b>
<b>Gallons Sold - By Class of Service:</b>			
Residential	82,702	69,838,190	102,397,000
Commercial	-	37,698,810	*
<b>Average Number of Customers - By Class of Service:</b>			
Residential	772	731	848
Commercial	96	98	*
Average Annual Gallons Per Residential Customer	107	95,538	120,751
Average Annual Revenue Per Residential Customer	\$ 126.62	\$ 415.78	\$ 492.18
Pumping Cost Per 1,000 Gallons	\$ 0.8061	\$ 0.1392	\$ 0.2934

\* Data available from company does not differentiate between Class of Service for 2006, commercial amounts are included with residential amounts.

**Valle Verde Water Company**  
 Test Year Ended December 31, 2008

**Rejoinder Schedule E-8**  
**Title: Taxes Charged to**  
**Operations**

**Explanation:**  
 Schedule showing all significant taxes charged to operations for  
 the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities  
 Class A  
 Class B  
 Class C  
 Class D  
 Specl Reqmt

X

Description	Test Year Ended 31-Dec-08	Prior Year Ended 31-Dec-07	Prior Year Ended 31-Dec-06
Federal Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	6,091	6,835	7,741
Total Federal Taxes	\$ 6,091	\$ 6,835	\$ 7,741
State Taxes:			
Income	\$ -	\$ -	\$ -
Payroll	2,037	1,989	2,214
Total State Taxes	\$ 2,037	\$ 1,989	\$ 2,214
Local Taxes:			
Property	\$ 14,129	\$ 15,718	\$ 14,831
Total Taxes	\$ 22,257	\$ 24,542	\$ 24,786

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule E-9  
Title: Notes to Financial  
Statements

Explanation:  
Disclosure of important facts pertaining to the understanding  
of the financial statements.

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Speci Reqmt

X

Disclosures should include, but not be limited to the following:

1 Accounting Method.

**The books of Valle Verde are kept as accrual based, and also follow NARUC rules, including the USoA.**

2 Depreciation lives and methods employed by major classification of utility property.

**For years up to and including the test year 2008, depreciation rates as authorized in Decision 59553 were 5% for all plant asset categories. Proposed depreciation rates are depicted on the plant schedule as part of the financing application. These rates were taken from ACC Engineering Staff Memo regarding their recommended rates for depreciation dated April 21, 2000, and revised March 1, 2001.**

3 Income tax treatment - normalization or flow through.

**Valle Verde Water is currently part of the Estate of William F. Randall. Prior to Mr. Randall's passing, the utility was operated as a sole proprietor, and as a result, is now part of his estate. Income taxes for Valle Verde flow through to the income tax return of the estate, Form 1041, and as such, income taxes are not part of this case.**

4 Interest rate used to charge interest during construction, if applicable.

**Not Applicable.**

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule F-1**  
**Title: Projected Income Statements**  
**Present and Proposed Rates**

Explanation:  
Schedule showing an income statement for the projected year,  
compared with actual test year results, at present and proposed  
rates.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Spec'l Reqmt	<input type="checkbox"/>

	<b>Projected Year</b>		
	<b>Actual</b>	<b>At Present</b>	<b>At Proposed</b>
	<b>Test Year</b>	<b>At Present</b>	<b>At Proposed</b>
	<b>Ended (a)</b>	<b>Year Ended (b)</b>	<b>Year Ended (b)</b>
	<b>31-Dec-08</b>	<b>31-Dec-09</b>	<b>31-Dec-09</b>
<b>Operating Revenues:</b>			
461 Metered Water Revenue	\$ 271,118	\$ 271,118	\$ 660,159
461 Surcharge Revenue	166,270	-	-
474 Other Water Revenue	6,033	6,033	6,033
<b>Total Operating Revenue</b>	<b>\$ 443,420</b>	<b>\$ 277,151</b>	<b>\$ 666,192</b>
<b>Operating Expenses:</b>			
601 Salaries & Wages	\$ 71,814	\$ 71,814	\$ 71,814
610 Purchased Water	187,158	-	-
615 Purchased Power	38,214	38,214	38,214
618 Chemicals	919	919	919
620 Repairs & Maintenance	58,561	58,561	58,561
621 Office Supplies and Expense	18,166	18,166	18,166
630 Outside Services	152,005	152,005	152,005
635 Water Testing	10,447	5,035	5,035
641 Rental Expense	-	-	-
650 Transportation Expense	10,277	10,277	10,277
657 Insurance - General Liability	10,940	10,940	10,940
659 Insurance - Health and Life	-	-	-
666 Rate Case Expense	-	8,333	8,333
675 Miscellaneous Expense	1,056	1,056	1,056
403 Depreciation & Amortization	127,449	122,952	122,952
408 Property Taxes	14,129	14,129	14,129
408.1 Taxes Other Than Income	8,503	8,503	8,503
409 Income Taxes	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 709,638</b>	<b>\$ 520,905</b>	<b>\$ 520,905</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (266,218)</b>	<b>\$ (243,754)</b>	<b>\$ 145,287</b>
<b>Other Income/(Expense):</b>			
419 Interest Income	\$ -	\$ -	\$ -
427 Interest Expense	(1,184)	(64,229)	(64,229)
<b>Total Other Income/(Expense)</b>	<b>\$ (1,184)</b>	<b>\$ (64,229)</b>	<b>\$ (64,229)</b>
<b>NET INCOME/(LOSS)</b>	<b>\$ (267,402)</b>	<b>\$ (307,983)</b>	<b>\$ 81,058</b>
Earnings per share of average Common Stock Outstanding	N/A	N/A	N/A
% Return on Common Equity	double negative, not meaningful		
Supporting Schedules:	Recap Schedules:		
(a) E-2	(b) A-2		

**Valle Verde Water Company**

Test Year Ended December 31, 2008

**Rejoinder Schedule F-3****Title: Projected Construction  
Requirements****Explanation:**

Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Spec'l Reqmt

X

Property Classification	Actual	Projected
	Test Year Ended 12/31/2008	Year Ended 12/31/2009
Production Plant	\$ 419,616	\$ 62,195
Transmission Plant	10,339	182,536
Total Plant	\$ 429,955	\$ 244,731

NOTE: For combination utilities, the above should be presented by department.

Supporting Schedules:

Recap Schedules:  
(a) F-2 & A-4

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule F-4  
Title: Assumptions Used in  
Developing Projection

Explanation:  
Documentation of important assumptions used in preparing  
forecasts and projections

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth

**Customer levels were flat in 2008, and that is not expected to change.**

2 Growth in consumption and customer demand

**No changes are anticipated.**

3 Changes in expenses

**The company believes the test year 2008, with the limited proforma adjustments included in this application, accurately depict expense levels going forward.**

4 Construction requirements including production reserves and changes in plant capacity

**Proceeds of the WIFA loan will be used to remove and replace undersized mains, interconnect wells 4 & 2, install a PRV station, install arsenic treatment equipment, replace and/or relocate other mains and lines, and install a 175k gallons storage tank.**

5 Capital structure changes

**No changes to equity are anticipated; debt will increase if the WIFA loan is approved.**

6 Financing costs, interest rates

**Currently, a company vehicle is financed at 10% interest. Valle Verde is also requesting a WIFA loan for plant upgrades and arsenic treatment equipment. Terms of the loan are unknown at this point, but for purposes of this application, a 5% interest rate and a term of 20 years was used on the revised loan amount of \$1,278,238.**

Supporting Schedules:

Recap Schedules:



Valle Verde Water Company  
Test Year Ended December 31, 2008

**Rejoinder Schedule H-1**  
**Title: Summary of Revenues by Customer**  
**Classification - Present and Proposed Rates**

Explanation:  
Schedule comparing revenues by customer classification for  
the Test Year, at present and proposed rates.

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Speci Reqmt

X

Customer Classification	Revenues in the Test Year (a)		Proposed Increase (b)	
	Present Rates	Proposed Rates	Amount	%
Residential	\$ 288,718	\$ 406,990	\$ 118,272	40.96%
Commercial	148,669	253,169	104,500	70.29%
Other Revenue	6,033	6,033	-	0.00%
<b>Total Revenues</b>	<b>\$ 443,420</b>	<b>\$ 666,192</b>	<b>\$ 222,772</b>	<b>50.24%</b>

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:  
(a) H-2

Recap Schedules:  
(b) A-1

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-3  
Title: Changes in Representative Rate  
Schedules - Page 1 of 2

Explanation:  
Schedule comparing present rate schedules with proposed  
rate schedule.

(Rates apply to both residential and commercial usage)

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqmt	<input type="checkbox"/>

Description	Present Rate	Proposed Rate	Percent change
<b>MONTHLY USAGE CHARGE</b>			
5/8" x 3/4" Meter	\$ 11.75	\$ 24.00	104%
3/4" Meter	11.90	24.00	102%
1" Meter	20.00	60.00	200%
1-1/2" Meter	31.00	120.00	287%
2" Meter	59.65	192.00	222%
3" Meter	120.00	384.00	220%
4" Meter	250.00	600.00	140%
6" Meter	500.00	1,200.00	140%
Gallons included in minimum	1,000	-	-100%

**Commodity Charge (per 1,000 gallons over monthly minimum)**

1,001 to 8,000 gallons	\$ 1.30	-100%
In excess of 8,000 gallons	1.47	-100%

5/8 x 3/4 and 3/4 - inch residential meters

1 - 3,000 Gallons	\$ 1.80
3,001 to 10,000 Gallons	2.95
Over 10,000 Gallons	4.44

5/8 x 3/4 and 3/4 - inch commercial meters

1 to 10,000 Gallons	2.95
Over 10,000 Gallons	4.44

One - inch meter

1 to 15,000 Gallons	\$ 2.95
Over 15,000 Gallons	4.44

One and one half - inch meter

1 to 20,000 Gallons	\$ 2.95
Over 20,000 Gallons	4.44

Two - inch meter

1 to 25,000 Gallons	\$ 2.95
Over 25,000 Gallons	4.44

Three - inch meter

1 to 70,000 Gallons	\$ 2.95
Over 70,000 Gallons	4.44

Four - inch meter

1 to 150,000 Gallons	\$ 2.95
Over 150,000 Gallons	4.44

Description	Present Rate	Proposed Rate	Percent change
Six - inch meter			
1 to 500,000 Gallons	\$	2.95	
Over 500,000 Gallons		4.44	

**Emergency Interim Surcharge (per 1,000 gallons)**

All gallons	\$	1.73	-	-100%
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**Temporary Purchased Water Recovery Surcharge**

Per Connection	\$	-	5.62	100%
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**SERVICE CHARGES**

Establishment	\$	10.00	\$	30.00	200%
Establishment (After Hours)		20.00		40.00	100%
Reconnection (Delinquent)		20.00		40.00	100%
Reconnection (Delinquent) after hours	N/A			50.00	100%
Meter Test (If Correct)		35.00		35.00	0%
Deposit	*		*		N/A
Deposit Interest	*		*		N/A
Re-Establishment (within 12 months)	**		**		N/A
NSF Check	\$	15.00		30.00	100%
Late Fee (per month)		1.50%		1.50%	0%
Deferred Payment (per month)		1.50%		1.50%	0%
Meter Re-read (If Correct)	\$	10.00		20.00	100%

**MONTHLY SERVICE CHARGE**

FOR FIRE SPRINKLER:	***	***	N/A
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**SERVICE LINE AND METER INSTALLATION CHARGES**

SERVICE LINE AND METER INSTALLATION CHARGES			Proposed Rate		
Description	Present Rate	Service Line	Meter Charge	Total Charge	Percent change
5/8" x 3/4" Meter	\$ 320.00	\$ 445.00	\$ 155.00	\$ 600.00	88%
3/4" Meter	360.00	445.00	255.00	700.00	94%
1" Meter	420.00	495.00	315.00	810.00	93%
1-1/2" Meter	635.00	550.00	525.00	1,075.00	69%
2" Meter - Turbine	1,090.00	830.00	1,045.00	1,875.00	72%
2" Meter - Compound	N/A	830.00	1,890.00	2,720.00	100%
3" Meter - Turbine	1,505.00	1,045.00	1,670.00	2,715.00	80%
3" Meter - Compound	N/A	1,165.00	2,545.00	3,710.00	100%
4" Meter - Turbine	2,380.00	1,490.00	2,670.00	4,160.00	75%
4" Meter - Compound	N/A	1,670.00	3,645.00	5,315.00	100%
6" Meter - Turbine	4,655.00	2,210.00	5,025.00	7,235.00	55%
6" Meter - Compound	N/A	2,330.00	6,920.00	9,250.00	100%

\* Per Commission Rule AAC R14-2-403(B)

\*\* Number of months off system times the monthly minimum, per Commission Rule AAC R14-2-403(D).

\*\*\* 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Supporting Schedules:

**Valle Verde Water Company**  
 Test Year Ended December 31, 2008

**Rejoinder Schedule H-4**

**Title: Typical Bill**

**Analysis**

**Page 1 of 8**

Explanation:  
 Schedule(s) comparing typical customer bills at varying  
 consumption levels at present and proposed rates.

5/8" x 3/4" and 3/4" Meters - Residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	11.75 \$	24.00	104.26%
1,000	11.75	25.80	119.57%
2,000	13.05	27.60	111.49%
3,000	14.35	29.40	104.88%
4,000	15.65	32.35	106.71%
5,000	16.95	35.30	108.26%
6,000	18.25	38.25	109.59%
7,000	19.55	41.20	110.74%
8,000	20.85	44.15	111.75%
9,000	22.32	47.10	111.02%
10,000	23.79	50.05	110.38%
15,000	31.14	72.25	132.02%
20,000	38.49	94.45	145.39%
25,000	45.84	116.65	154.47%
50,000	82.59	227.65	175.64%
75,000	119.34	338.65	183.77%
100,000	156.09	449.65	188.07%
125,000	192.84	560.65	190.73%
150,000	229.59	671.65	192.54%
175,000	266.34	782.65	193.85%
200,000	303.09	893.65	194.85%

Supporting Schedules:

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule H-4**  
**Title: Typical Bill**  
**Analysis**  
**Page 2 of 8**

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

5/8" x 3/4" and 3/4" Meters - Commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	11.90 \$	24.00	101.68%
1,000	11.90	26.95	126.47%
2,000	13.20	29.90	126.52%
3,000	14.50	32.85	126.55%
4,000	15.80	35.80	126.58%
5,000	17.10	38.75	126.61%
6,000	18.40	41.70	126.63%
7,000	19.70	44.65	126.65%
8,000	21.00	47.60	126.67%
9,000	22.47	50.55	124.97%
10,000	23.94	53.50	123.48%
15,000	31.29	75.70	141.93%
20,000	38.64	97.90	153.36%
25,000	45.99	120.10	161.14%
50,000	82.74	231.10	179.31%
75,000	119.49	342.10	186.30%
100,000	156.24	453.10	190.00%
125,000	192.99	564.10	192.29%
150,000	229.74	675.10	193.85%
175,000	266.49	786.10	194.98%
200,000	303.24	897.10	195.84%

Supporting Schedules:

**Valle Verde Water Company**  
 Test Year Ended December 31, 2008

**Rejoinder Schedule H-4**  
**Title: Typical Bill**  
**Analysis**  
**Page 3 of 8**

Explanation:  
 Schedule(s) comparing typical customer bills at varying  
 consumption levels at present and proposed rates.

1" meter - all

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	20.00 \$	60.00	200.00%
1,000	20.00	62.95	214.75%
2,000	21.30	65.90	209.39%
3,000	22.60	68.85	204.65%
4,000	23.90	71.80	200.42%
5,000	25.20	74.75	196.63%
6,000	26.50	77.70	193.21%
7,000	27.80	80.65	190.11%
8,000	29.10	83.60	187.29%
9,000	30.57	86.55	183.12%
10,000	32.04	89.50	179.34%
15,000	39.39	104.25	164.66%
20,000	46.74	126.45	170.54%
25,000	54.09	148.65	174.82%
50,000	90.84	259.65	185.83%
75,000	127.59	370.65	190.50%
100,000	164.34	481.65	193.08%
125,000	201.09	592.65	194.72%
150,000	237.84	703.65	195.85%
175,000	274.59	814.65	196.68%
200,000	311.34	925.65	197.31%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-4

Title: Typical Bill

Analysis

Page 4 of 8

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

1 1/2" meter - all

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	31.00 \$	120.00	287.10%
1,000	31.00	122.95	296.61%
2,000	32.30	125.90	289.78%
3,000	33.60	128.85	283.48%
4,000	34.90	131.80	277.65%
5,000	36.20	134.75	272.24%
6,000	37.50	137.70	267.20%
7,000	38.80	140.65	262.50%
8,000	40.10	143.60	258.10%
9,000	41.57	146.55	252.54%
10,000	43.04	149.50	247.35%
15,000	50.39	164.25	225.96%
20,000	57.74	179.00	210.01%
25,000	65.09	201.20	209.11%
50,000	101.84	312.20	206.56%
75,000	138.59	423.20	205.36%
100,000	175.34	534.20	204.67%
125,000	212.09	645.20	204.21%
150,000	248.84	756.20	203.89%
175,000	285.59	867.20	203.65%
200,000	322.34	978.20	203.47%

Supporting Schedules:

**Valle Verde Water Company**  
 Test Year Ended December 31, 2008

**Rejoinder Schedule H-4**  
**Title: Typical Bill**  
**Analysis**  
**Page 5 of 8**

Explanation:  
 Schedule(s) comparing typical customer bills at varying  
 consumption levels at present and proposed rates.

2" meter - residential/commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	59.65 \$	192.00	221.88%
1,000	59.65	194.95	226.82%
2,000	60.95	197.90	224.69%
3,000	62.25	200.85	222.65%
4,000	63.55	203.80	220.69%
5,000	64.85	206.75	218.81%
6,000	66.15	209.70	217.01%
7,000	67.45	212.65	215.27%
8,000	68.75	215.60	213.60%
9,000	70.22	218.55	211.24%
10,000	71.69	221.50	208.97%
15,000	79.04	236.25	198.90%
20,000	86.39	251.00	190.54%
25,000	93.74	265.75	183.50%
50,000	130.49	376.75	188.72%
75,000	167.24	487.75	191.65%
100,000	203.99	598.75	193.52%
125,000	240.74	709.75	194.82%
150,000	277.49	820.75	195.78%
175,000	314.24	931.75	196.51%
200,000	350.99	1,042.75	197.09%

Supporting Schedules:



Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-4

Title: Typical Bill  
Analysis

Page 6 of 8

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

3" meter - all

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	120.00 \$	384.00	220.00%
1,000	120.00	386.95	222.46%
2,000	121.30	389.90	221.43%
3,000	122.60	392.85	220.43%
4,000	123.90	395.80	219.45%
5,000	125.20	398.75	218.49%
6,000	126.50	401.70	217.55%
7,000	127.80	404.65	216.63%
8,000	129.10	407.60	215.72%
9,000	130.57	410.55	214.43%
10,000	132.04	413.50	213.16%
15,000	139.39	428.25	207.23%
20,000	146.74	443.00	201.89%
25,000	154.09	457.75	197.07%
50,000	190.84	531.50	178.51%
75,000	227.59	612.70	169.21%
100,000	264.34	723.70	173.78%
125,000	301.09	834.70	177.23%
150,000	337.84	945.70	179.93%
175,000	374.59	1,056.70	182.10%
200,000	411.34	1,167.70	183.88%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-4  
Title: Typical Bill  
Analysis  
Page 7 of 8

Explanation:  
Schedule(s) comparing typical customer bills at varying  
consumption levels at present and proposed rates.

4" meter - all

Required for: All Utilities

Class A  
Class B  
Class C  
Class D  
Spec'l Reqmt

X

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	250.00 \$	600.00	140.00%
1,000	250.00	602.95	141.18%
2,000	251.30	605.90	141.11%
3,000	252.60	608.85	141.03%
4,000	253.90	611.80	140.96%
5,000	255.20	614.75	140.89%
6,000	256.50	617.70	140.82%
7,000	257.80	620.65	140.75%
8,000	259.10	623.60	140.68%
9,000	260.57	626.55	140.45%
10,000	262.04	629.50	140.23%
15,000	269.39	644.25	139.15%
20,000	276.74	659.00	138.13%
25,000	284.09	673.75	137.16%
50,000	320.84	747.50	132.98%
75,000	357.59	821.25	129.66%
100,000	394.34	895.00	126.96%
125,000	431.09	968.75	124.72%
150,000	467.84	1,042.50	122.83%
175,000	504.59	1,153.50	128.60%
200,000	541.34	1,264.50	133.59%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-4  
Title: Typical Bill  
Analysis  
Page 8 of 8

Explanation:	Required for: All Utilities	<input checked="" type="checkbox"/>
Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
Emergency Surcharge - all meter sizes/residential and commercial	Spec'l Reqmt	<input type="checkbox"/>

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
- \$	- \$	-	0.00%
1,000	1.73	-	-100.00%
2,000	3.46	-	-100.00%
3,000	5.19	-	-100.00%
4,000	6.92	-	-100.00%
5,000	8.65	-	-100.00%
6,000	10.38	-	-100.00%
7,000	12.11	-	-100.00%
8,000	13.84	-	-100.00%
9,000	15.57	-	-100.00%
10,000	17.30	-	-100.00%
15,000	25.95	-	-100.00%
20,000	34.60	-	-100.00%
25,000	43.25	-	-100.00%
50,000	86.50	-	-100.00%
75,000	129.75	-	-100.00%
100,000	173.00	-	-100.00%
125,000	216.25	-	-100.00%
150,000	259.50	-	-100.00%
175,000	302.75	-	-100.00%
200,000	346.00	-	-100.00%

Supporting Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 1 of 13

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 inch meter - residential

Required for: All Utilities  
Class A  
Class B  
Class C  
Class D  
Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	140	-	140	3.34%	-	0.00%
1,000	249	249,000	389	9.28%	249,000	0.79%
2,000	290	580,000	679	16.19%	829,000	2.62%
3,000	335	1,005,000	1,014	24.18%	1,834,000	5.79%
4,000	412	1,648,000	1,426	34.01%	3,482,000	11.00%
5,000	423	2,115,000	1,849	44.10%	5,597,000	17.68%
6,000	376	2,256,000	2,225	53.06%	7,853,000	24.81%
7,000	372	2,604,000	2,597	61.94%	10,457,000	33.03%
8,000	294	2,352,000	2,891	68.95%	12,809,000	40.46%
9,000	218	1,962,000	3,109	74.15%	14,771,000	46.66%
10,000	211	2,110,000	3,320	79.18%	16,881,000	53.33%
10,001 to 12,000	283	3,113,000	3,603	85.93%	19,994,000	63.16%
12,001 to 14,000	168	2,184,000	3,771	89.94%	22,178,000	70.06%
14,001 to 16,000	118	1,770,000	3,889	92.75%	23,948,000	75.65%
16,001 to 18,000	80	1,360,000	3,969	94.66%	25,308,000	79.95%
18,001 to 20,000	44	836,000	4,013	95.71%	26,144,000	82.59%
20,001 to 25,000	73	1,642,500	4,086	97.45%	27,786,500	87.78%
25,001 to 30,000	35	962,500	4,121	98.28%	28,749,000	90.82%
30,001 to 35,000	28	910,000	4,149	98.95%	29,659,000	93.69%
35,001 to 40,000	19	712,500	4,168	99.40%	30,371,500	95.94%
40,001 to 50,000	12	540,000	4,180	99.69%	30,911,500	97.65%
50,001 to 60,000	11	605,000	4,191	99.95%	31,516,500	99.56%
60,001 to 70,000	1	65,000	4,192	99.98%	31,581,500	99.76%
70,001 to 80,000	1	75,000	4,193	100.00%	31,656,500	100.00%
80,001 to 90,000	-	-	4,193	100.00%	31,656,500	100.00%
90,001 to 100,000	-	-	4,193	100.00%	31,656,500	100.00%
Over 100,000	-	-	4,193	100.00%	31,656,500	100.00%
	4,193	31,656,500				

Average Number of Customers 349  
Average Consumption 7,550  
Median Consumption 5,658

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 2 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	13	-	13	6.99%	-	0.00%
1,000	20	20,000	33	17.74%	20,000	1.38%
2,000	22	44,000	55	29.57%	64,000	4.43%
3,000	16	48,000	71	38.17%	112,000	7.75%
4,000	9	36,000	80	43.01%	148,000	10.24%
5,000	12	60,000	92	49.46%	208,000	14.39%
6,000	14	84,000	106	56.99%	292,000	20.21%
7,000	9	63,000	115	61.83%	355,000	24.57%
8,000	12	96,000	127	68.28%	451,000	31.21%
9,000	15	135,000	142	76.34%	586,000	40.55%
10,000	11	110,000	153	82.26%	696,000	48.16%
10,001 to 12,000	13	143,000	166	89.25%	839,000	58.06%
12,001 to 14,000	7	91,000	173	93.01%	930,000	64.36%
14,001 to 16,000	1	15,000	174	93.55%	945,000	65.39%
16,001 to 18,000	3	51,000	177	95.16%	996,000	68.92%
18,001 to 20,000	1	19,000	178	95.70%	1,015,000	70.24%
20,001 to 25,000	2	45,000	180	96.77%	1,060,000	73.35%
25,001 to 30,000	-	-	180	96.77%	1,060,000	73.35%
30,001 to 35,000	2	65,000	182	97.85%	1,125,000	77.85%
35,001 to 40,000	1	37,500	183	98.39%	1,162,500	80.45%
40,001 to 50,000	-	-	183	98.39%	1,162,500	80.45%
50,001 to 60,000	1	55,000	184	98.92%	1,217,500	84.25%
60,001 to 70,000	-	-	184	98.92%	1,217,500	84.25%
70,001 to 80,000	1	75,000	185	99.46%	1,292,500	89.44%
80,001 to 90,000	-	-	185	99.46%	1,292,500	89.44%
90,001 to 100,000	-	-	185	99.46%	1,292,500	89.44%
Over 100,000	1	152,580	186	100.00%	1,445,080	100.00%
	186	1,445,080				

Average Number of Customers 16  
Average Consumption 7,769  
Median Consumption 5,071

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule H-5**  
**Title: Bill Count**  
**Page 3 of 13**

Explanation:  
Schedule(s) showing billing activity by block for each rate  
schedule.

3/4 inch meter - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	214	-	214	4.80%	-	0.00%
1,000	245	245,000	459	10.30%	245,000	0.74%
2,000	294	588,000	753	16.90%	833,000	2.52%
3,000	422	1,266,000	1,175	26.37%	2,099,000	6.34%
4,000	417	1,668,000	1,592	35.73%	3,767,000	11.37%
5,000	449	2,245,000	2,041	45.80%	6,012,000	18.15%
6,000	386	2,316,000	2,427	54.47%	8,328,000	25.14%
7,000	330	2,310,000	2,757	61.87%	10,638,000	32.12%
8,000	316	2,528,000	3,073	68.96%	13,166,000	39.75%
9,000	243	2,187,000	3,316	74.42%	15,353,000	46.36%
10,000	226	2,260,000	3,542	79.49%	17,613,000	53.18%
10,001 to 12,000	299	3,289,000	3,841	86.20%	20,902,000	63.11%
12,001 to 14,000	194	2,522,000	4,035	90.55%	23,424,000	70.72%
14,001 to 16,000	129	1,935,000	4,164	93.45%	25,359,000	76.57%
16,001 to 18,000	93	1,581,000	4,257	95.53%	26,940,000	81.34%
18,001 to 20,000	45	855,000	4,302	96.54%	27,795,000	83.92%
20,001 to 25,000	71	1,597,500	4,373	98.14%	29,392,500	88.74%
25,001 to 30,000	30	825,000	4,403	98.81%	30,217,500	91.24%
30,001 to 35,000	18	585,000	4,421	99.21%	30,802,500	93.00%
35,001 to 40,000	11	412,500	4,432	99.46%	31,215,000	94.25%
40,001 to 50,000	8	360,000	4,440	99.64%	31,575,000	95.33%
50,001 to 60,000	4	220,000	4,444	99.73%	31,795,000	96.00%
60,001 to 70,000	3	195,000	4,447	99.80%	31,990,000	96.59%
70,001 to 80,000	4	300,000	4,451	99.89%	32,290,000	97.49%
80,001 to 90,000	2	170,000	4,453	99.93%	32,460,000	98.01%
90,001 to 100,000	1	95,000	4,454	99.96%	32,555,000	98.29%
Over 100,000	2	565,370	4,456	100.00%	33,120,370	100.00%
	4,456	33,120,370				

Average Number of Customers 371  
Average Consumption 7,433  
Median Consumption 5,480

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 4 of 13

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

3/4 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	16	-	16	6.11%	-	0.00%
1,000	72	72,000	88	33.59%	72,000	4.10%
2,000	40	80,000	128	48.85%	152,000	8.66%
3,000	16	48,000	144	54.96%	200,000	11.39%
4,000	14	56,000	158	60.31%	256,000	14.58%
5,000	5	25,000	163	62.21%	281,000	16.00%
6,000	15	90,000	178	67.94%	371,000	21.13%
7,000	15	105,000	193	73.66%	476,000	27.11%
8,000	7	56,000	200	76.34%	532,000	30.30%
9,000	4	36,000	204	77.86%	568,000	32.35%
10,000	6	60,000	210	80.15%	628,000	35.76%
10,001 to 12,000	12	132,000	222	84.73%	760,000	43.28%
12,001 to 14,000	8	104,000	230	87.79%	864,000	49.20%
14,001 to 16,000	5	75,000	235	89.69%	939,000	53.47%
16,001 to 18,000	3	51,000	238	90.84%	990,000	56.38%
18,001 to 20,000	4	76,000	242	92.37%	1,066,000	60.71%
20,001 to 25,000	6	135,000	248	94.66%	1,201,000	68.39%
25,001 to 30,000	3	82,500	251	95.80%	1,283,500	73.09%
30,001 to 35,000	3	97,500	254	96.95%	1,381,000	78.64%
35,001 to 40,000	2	75,000	256	97.71%	1,456,000	82.92%
40,001 to 50,000	4	180,000	260	99.24%	1,636,000	93.17%
50,001 to 60,000	1	55,000	261	99.62%	1,691,000	96.30%
60,001 to 70,000	1	65,000	262	100.00%	1,756,000	100.00%
70,001 to 80,000	-	-	262	100.00%	1,756,000	100.00%
80,001 to 90,000	-	-	262	100.00%	1,756,000	100.00%
90,001 to 100,000	-	-	262	100.00%	1,756,000	100.00%
Over 100,000	-	-	262	100.00%	1,756,000	100.00%
		262	1,756,000			

Average Number of Customers 22  
Average Consumption 6,702  
Median Consumption 2,188

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 5 of 13

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

1 inch meter - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	15	-	15	11.81%	-	0.00%
1,000	8	8,000	23	18.11%	8,000	0.33%
2,000	6	12,000	29	22.83%	20,000	0.83%
3,000	6	18,000	35	27.56%	38,000	1.58%
4,000	2	8,000	37	29.13%	46,000	1.92%
5,000	1	5,000	38	29.92%	51,000	2.13%
6,000	3	18,000	41	32.28%	69,000	2.88%
7,000	6	42,000	47	37.01%	111,000	4.63%
8,000	3	24,000	50	39.37%	135,000	5.63%
9,000	4	36,000	54	42.52%	171,000	7.13%
10,000	14	140,000	68	53.54%	311,000	12.97%
10,001 to 12,000	8	88,000	76	59.84%	399,000	16.64%
12,001 to 14,000	7	91,000	83	65.35%	490,000	20.44%
14,001 to 16,000	3	45,000	86	67.72%	535,000	22.31%
16,001 to 18,000	3	51,000	89	70.08%	586,000	24.44%
18,001 to 20,000	2	38,000	91	71.65%	624,000	26.03%
20,001 to 25,000	9	202,500	100	78.74%	826,500	34.47%
25,001 to 30,000	8	220,000	108	85.04%	1,046,500	43.65%
30,001 to 35,000	3	97,500	111	87.40%	1,144,000	47.71%
35,001 to 40,000	3	112,500	114	89.76%	1,256,500	52.40%
40,001 to 50,000	5	225,000	119	93.70%	1,481,500	61.79%
50,001 to 60,000	2	110,000	121	95.28%	1,591,500	66.38%
60,001 to 70,000	2	130,000	123	96.85%	1,721,500	71.80%
70,001 to 80,000	1	75,000	124	97.64%	1,796,500	74.93%
80,001 to 90,000	1	85,000	125	98.43%	1,881,500	78.47%
90,001 to 100,000	-	-	125	98.43%	1,881,500	78.47%
Over 100,000	2	516,190	127	100.00%	2,397,690	100.00%
	127	2,397,690				

Average Number of Customers 11  
Average Consumption 18,879  
Median Consumption 9,679

Supporting Schedules:

Recap Schedules:



Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 6 of 13

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

1 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	40	-	40	10.39%	-	0.00%
1,000	31	31,000	71	18.44%	31,000	0.66%
2,000	27	54,000	98	25.45%	85,000	1.81%
3,000	33	99,000	131	34.03%	184,000	3.91%
4,000	28	112,000	159	41.30%	296,000	6.29%
5,000	18	90,000	177	45.97%	386,000	8.21%
6,000	17	102,000	194	50.39%	488,000	10.38%
7,000	17	119,000	211	54.81%	607,000	12.91%
8,000	15	120,000	226	58.70%	727,000	15.46%
9,000	12	108,000	238	61.82%	835,000	17.75%
10,000	15	150,000	253	65.71%	985,000	20.94%
10,001 to 12,000	23	253,000	276	71.69%	1,238,000	26.32%
12,001 to 14,000	15	195,000	291	75.58%	1,433,000	30.47%
14,001 to 16,000	18	270,000	309	80.26%	1,703,000	36.21%
16,001 to 18,000	7	119,000	316	82.08%	1,822,000	38.74%
18,001 to 20,000	6	114,000	322	83.64%	1,936,000	41.16%
20,001 to 25,000	16	360,000	338	87.79%	2,296,000	48.82%
25,001 to 30,000	10	275,000	348	90.39%	2,571,000	54.66%
30,001 to 35,000	9	292,500	357	92.73%	2,863,500	60.88%
35,001 to 40,000	6	225,000	363	94.29%	3,088,500	65.66%
40,001 to 50,000	7	315,000	370	96.10%	3,403,500	72.36%
50,001 to 60,000	4	220,000	374	97.14%	3,623,500	77.04%
60,001 to 70,000	3	195,000	377	97.92%	3,818,500	81.19%
70,001 to 80,000	1	75,000	378	98.18%	3,893,500	82.78%
80,001 to 90,000	1	85,000	379	98.44%	3,978,500	84.59%
90,001 to 100,000	2	190,000	381	98.96%	4,168,500	88.63%
Over 100,000	4	534,920	385	100.00%	4,703,420	100.00%
	385	4,703,420				

Average Number of Customers 32  
Average Consumption 12,217  
Median Consumption 5,912

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule H-5**  
**Title: Bill Count**  
**Page 7 of 13**

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

1 1/2" meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1,000	1	1,000	1	2.78%	1,000	0.05%
2,000	2	4,000	3	8.33%	5,000	0.25%
3,000	-	-	3	8.33%	5,000	0.25%
4,000	-	-	3	8.33%	5,000	0.25%
5,000	-	-	3	8.33%	5,000	0.25%
6,000	-	-	3	8.33%	5,000	0.25%
7,000	1	7,000	4	11.11%	12,000	0.61%
8,000	-	-	4	11.11%	12,000	0.61%
9,000	4	36,000	8	22.22%	48,000	2.45%
10,000	1	10,000	9	25.00%	58,000	2.96%
10,001 to 12,000	2	22,000	11	30.56%	80,000	4.08%
12,001 to 14,000	3	39,000	14	38.89%	119,000	6.07%
14,001 to 16,000	4	60,000	18	50.00%	179,000	9.13%
16,001 to 18,000	-	-	18	50.00%	179,000	9.13%
18,001 to 20,000	2	38,000	20	55.56%	217,000	11.06%
20,001 to 25,000	6	135,000	26	72.22%	352,000	17.95%
25,001 to 30,000	-	-	26	72.22%	352,000	17.95%
30,001 to 35,000	1	32,500	27	75.00%	384,500	19.60%
35,001 to 40,000	-	-	27	75.00%	384,500	19.60%
40,001 to 50,000	1	45,000	28	77.78%	429,500	21.90%
50,001 to 60,000	1	55,000	29	80.56%	484,500	24.70%
60,001 to 70,000	-	-	29	80.56%	484,500	24.70%
70,001 to 80,000	-	-	29	80.56%	484,500	24.70%
80,001 to 90,000	-	-	29	80.56%	484,500	24.70%
90,001 to 100,000	-	-	29	80.56%	484,500	24.70%
Over 100,000	7	1,477,000	36	100.00%	1,961,500	100.00%
	36	1,961,500				

Average Number of Customers 3  
Average Consumption 54,486  
Median Consumption 16,000

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule H-5**  
**Title: Bill Count**  
**Page 8 of 13**

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

2 inch meter - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of	Consumption	Cumulative Bills		Cumulative Consumption	
	Bills by Block	By Blocks	No.	% of Total	Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1,000	-	-	-	0.00%	-	0.00%
2,000	-	-	-	0.00%	-	0.00%
3,000	-	-	-	0.00%	-	0.00%
4,000	-	-	-	0.00%	-	0.00%
5,000	-	-	-	0.00%	-	0.00%
6,000	-	-	-	0.00%	-	0.00%
7,000	-	-	-	0.00%	-	0.00%
8,000	-	-	-	0.00%	-	0.00%
9,000	-	-	-	0.00%	-	0.00%
10,000	-	-	-	0.00%	-	0.00%
10,001 to 12,000	-	-	-	0.00%	-	0.00%
12,001 to 14,000	-	-	-	0.00%	-	0.00%
14,001 to 16,000	-	-	-	0.00%	-	0.00%
16,001 to 18,000	-	-	-	0.00%	-	0.00%
18,001 to 20,000	-	-	-	0.00%	-	0.00%
20,001 to 25,000	-	-	-	0.00%	-	0.00%
25,001 to 30,000	-	-	-	0.00%	-	0.00%
30,001 to 35,000	-	-	-	0.00%	-	0.00%
35,001 to 40,000	-	-	-	0.00%	-	0.00%
40,001 to 50,000	-	-	-	0.00%	-	0.00%
50,001 to 60,000	-	-	-	0.00%	-	0.00%
60,001 to 70,000	-	-	-	0.00%	-	0.00%
70,001 to 80,000	-	-	-	0.00%	-	0.00%
80,001 to 90,000	-	-	-	0.00%	-	0.00%
90,001 to 100,000	2	190,000	2	16.67%	190,000	12.42%
Over 100,000	10	1,339,600	12	100.00%	1,529,600	100.00%
	12	1,529,600				

Average Number of Customers 1  
Average Consumption 127,467  
Median Consumption 114,800

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 9 of 13

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

2 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills		Cumulative Consumption	
			No.	% of Total	Amount	% of Total
-	32	-	32	13.85%	-	0.00%
1,000	2	2,000	34	14.72%	2,000	0.01%
2,000	-	-	34	14.72%	2,000	0.01%
3,000	2	6,000	36	15.58%	8,000	0.03%
4,000	5	20,000	41	17.75%	28,000	0.11%
5,000	6	30,000	47	20.35%	58,000	0.23%
6,000	3	18,000	50	21.65%	76,000	0.31%
7,000	10	70,000	60	25.97%	146,000	0.59%
8,000	1	8,000	61	26.41%	154,000	0.62%
9,000	5	45,000	66	28.57%	199,000	0.80%
10,000	3	30,000	69	29.87%	229,000	0.92%
10,001 to 12,000	6	66,000	75	32.47%	295,000	1.18%
12,001 to 14,000	5	65,000	80	34.63%	360,000	1.45%
14,001 to 16,000	5	75,000	85	36.80%	435,000	1.75%
16,001 to 18,000	5	85,000	90	38.96%	520,000	2.09%
18,001 to 20,000	6	114,000	96	41.56%	634,000	2.54%
20,001 to 25,000	9	202,500	105	45.45%	836,500	3.36%
25,001 to 30,000	7	192,500	112	48.48%	1,029,000	4.13%
30,001 to 35,000	9	292,500	121	52.38%	1,321,500	5.30%
35,001 to 40,000	6	225,000	127	54.98%	1,546,500	6.21%
40,001 to 50,000	7	315,000	134	58.01%	1,861,500	7.47%
50,001 to 60,000	6	330,000	140	60.61%	2,191,500	8.80%
60,001 to 70,000	5	325,000	145	62.77%	2,516,500	10.10%
70,001 to 80,000	4	300,000	149	64.50%	2,816,500	11.31%
80,001 to 90,000	6	510,000	155	67.10%	3,326,500	13.35%
90,001 to 100,000	3	285,000	158	68.40%	3,611,500	14.50%
Over 100,000	73	21,301,270	231	100.00%	24,912,770	100.00%
	231	24,912,770				

Average Number of Customers 19  
Average Consumption 107,847  
Median Consumption 31,944

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 10 of 13

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

3 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	2	-	2	6.25%	-	0.00%
1,000	2	2,000	4	12.50%	2,000	0.08%
2,000	1	2,000	5	15.63%	4,000	0.16%
3,000	-	-	5	15.63%	4,000	0.16%
4,000	-	-	5	15.63%	4,000	0.16%
5,000	-	-	5	15.63%	4,000	0.16%
6,000	-	-	5	15.63%	4,000	0.16%
7,000	-	-	5	15.63%	4,000	0.16%
8,000	4	32,000	9	28.13%	36,000	1.40%
9,000	-	-	9	28.13%	36,000	1.40%
10,000	1	10,000	10	31.25%	46,000	1.79%
10,001 to 12,000	-	-	10	31.25%	46,000	1.79%
12,001 to 14,000	2	26,000	12	37.50%	72,000	2.80%
14,001 to 16,000	1	15,000	13	40.63%	87,000	3.39%
16,001 to 18,000	4	68,000	17	53.13%	155,000	6.04%
18,001 to 20,000	2	38,000	19	59.38%	193,000	7.52%
20,001 to 25,000	-	-	19	59.38%	193,000	7.52%
25,001 to 30,000	2	55,000	21	65.63%	248,000	9.66%
30,001 to 35,000	1	32,500	22	68.75%	280,500	10.93%
35,001 to 40,000	1	37,500	23	71.88%	318,000	12.39%
40,001 to 50,000	-	-	23	71.88%	318,000	12.39%
50,001 to 60,000	2	110,000	25	78.13%	428,000	16.67%
60,001 to 70,000	-	-	25	78.13%	428,000	16.67%
70,001 to 80,000	1	75,000	26	81.25%	503,000	19.59%
80,001 to 90,000	-	-	26	81.25%	503,000	19.59%
90,001 to 100,000	-	-	26	81.25%	503,000	19.59%
Over 100,000	6	2,064,400	32	100.00%	2,567,400	100.00%
	32	2,567,400				

Average Number of Customers 3  
Average Consumption 80,231  
Median Consumption 17,500

Supporting Schedules:

Recap Schedules:

**Valle Verde Water Company**  
Test Year Ended December 31, 2008

**Rejoinder Schedule H-5**  
**Title: Bill Count**  
**Page 11 of 13**

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

4 inch meter - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Specd Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	-	-	-	0.00%	-	0.00%
1,000	-	-	-	0.00%	-	0.00%
2,000	-	-	-	0.00%	-	0.00%
3,000	-	-	-	0.00%	-	0.00%
4,000	-	-	-	0.00%	-	0.00%
5,000	-	-	-	0.00%	-	0.00%
6,000	-	-	-	0.00%	-	0.00%
7,000	-	-	-	0.00%	-	0.00%
8,000	2	16,000	2	16.67%	16,000	2.80%
9,000	-	-	2	16.67%	16,000	2.80%
10,000	-	-	2	16.67%	16,000	2.80%
10,001 to 12,000	-	-	2	16.67%	16,000	2.80%
12,001 to 14,000	-	-	2	16.67%	16,000	2.80%
14,001 to 16,000	-	-	2	16.67%	16,000	2.80%
16,001 to 18,000	-	-	2	16.67%	16,000	2.80%
18,001 to 20,000	-	-	2	16.67%	16,000	2.80%
20,001 to 25,000	1	22,500	3	25.00%	38,500	6.74%
25,001 to 30,000	-	-	3	25.00%	38,500	6.74%
30,001 to 35,000	1	32,500	4	33.33%	71,000	12.43%
35,001 to 40,000	-	-	4	33.33%	71,000	12.43%
40,001 to 50,000	3	135,000	7	58.33%	206,000	36.08%
50,001 to 60,000	-	-	7	58.33%	206,000	36.08%
60,001 to 70,000	3	195,000	10	83.33%	401,000	70.23%
70,001 to 80,000	1	75,000	11	91.67%	476,000	83.36%
80,001 to 90,000	-	-	11	91.67%	476,000	83.36%
90,001 to 100,000	1	95,000	12	100.00%	571,000	100.00%
Over 100,000	-	-	12	100.00%	571,000	100.00%
	12	571,000				

Average Number of Customers 1  
Average Consumption 47,583  
Median Consumption 46,667

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 12 of 13

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

Emergency Surcharge - residential

Required for: All Utilities

Class A

Class B

Class C

Class D

Speci Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	343	-	343	4.25%	-	0.00%
1,000	456	456,000	799	9.91%	456,000	0.71%
2,000	535	1,070,000	1,334	16.55%	1,526,000	2.39%
3,000	697	2,091,000	2,031	25.19%	3,617,000	5.66%
4,000	750	3,000,000	2,781	34.50%	6,617,000	10.35%
5,000	780	3,900,000	3,561	44.17%	10,517,000	16.46%
6,000	691	4,146,000	4,252	52.74%	14,663,000	22.95%
7,000	662	4,634,000	4,914	60.95%	19,297,000	30.20%
8,000	556	4,448,000	5,470	67.85%	23,745,000	37.16%
9,000	433	3,897,000	5,903	73.22%	27,642,000	43.26%
10,000	421	4,210,000	6,324	78.44%	31,852,000	49.84%
10,001 to 12,000	550	6,050,000	6,874	85.26%	37,902,000	59.31%
12,001 to 14,000	347	4,511,000	7,221	89.57%	42,413,000	66.37%
14,001 to 16,000	234	3,510,000	7,455	92.47%	45,923,000	71.86%
16,001 to 18,000	165	2,805,000	7,620	94.52%	48,728,000	76.25%
18,001 to 20,000	83	1,577,000	7,703	95.55%	50,305,000	78.72%
20,001 to 25,000	144	3,240,000	7,847	97.33%	53,545,000	83.79%
25,001 to 30,000	68	1,870,000	7,915	98.18%	55,415,000	86.72%
30,001 to 35,000	47	1,527,500	7,962	98.76%	56,942,500	89.11%
35,001 to 40,000	30	1,125,000	7,992	99.13%	58,067,500	90.87%
40,001 to 50,000	23	1,035,000	8,015	99.42%	59,102,500	92.49%
50,001 to 60,000	17	935,000	8,032	99.63%	60,037,500	93.95%
60,001 to 70,000	5	325,000	8,037	99.69%	60,362,500	94.46%
70,001 to 80,000	5	375,000	8,042	99.75%	60,737,500	95.05%
80,001 to 90,000	3	255,000	8,045	99.79%	60,992,500	95.44%
90,001 to 100,000	3	285,000	8,048	99.83%	61,277,500	95.89%
Over 100,000	14	2,626,360	8,062	100.00%	63,903,860	100.00%
	8,062	63,903,860				

Average Number of Customers 672  
Average Consumption 7,927  
Median Consumption 5,680

Supporting Schedules:

Recap Schedules:

Valle Verde Water Company  
Test Year Ended December 31, 2008

Rejoinder Schedule H-5  
Title: Bill Count  
Page 13 of 13

Explanation:  
Schedule(s) showing billing activity by block for each rate schedule.

Emergency Surcharge - commercial

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

X

Block	Number of Bills by Block	Consumption By Blocks	Cumulative Bills No.	% of Total	Cumulative Consumption Amount	% of Total
-	96	-	96	9.13%	-	0.00%
1,000	116	116,000	212	20.17%	116,000	0.33%
2,000	84	168,000	296	28.16%	284,000	0.80%
3,000	60	180,000	356	33.87%	464,000	1.31%
4,000	53	212,000	409	38.92%	676,000	1.91%
5,000	39	195,000	448	42.63%	871,000	2.46%
6,000	46	276,000	494	47.00%	1,147,000	3.23%
7,000	45	315,000	539	51.28%	1,462,000	4.12%
8,000	38	304,000	577	54.90%	1,766,000	4.98%
9,000	37	333,000	614	58.42%	2,099,000	5.92%
10,000	33	330,000	647	61.56%	2,429,000	6.85%
10,001 to 12,000	55	605,000	702	66.79%	3,034,000	8.55%
12,001 to 14,000	36	468,000	738	70.22%	3,502,000	9.87%
14,001 to 16,000	29	435,000	767	72.98%	3,937,000	11.10%
16,001 to 18,000	19	323,000	786	74.79%	4,260,000	12.01%
18,001 to 20,000	19	361,000	805	76.59%	4,621,000	13.03%
20,001 to 25,000	39	877,500	844	80.30%	5,498,500	15.50%
25,001 to 30,000	20	550,000	864	82.21%	6,048,500	17.05%
30,001 to 35,000	23	747,500	887	84.40%	6,796,000	19.16%
35,001 to 40,000	13	487,500	900	85.63%	7,283,500	20.53%
40,001 to 50,000	21	945,000	921	87.63%	8,228,500	23.20%
50,001 to 60,000	14	770,000	935	88.96%	8,998,500	25.37%
60,001 to 70,000	11	715,000	946	90.01%	9,713,500	27.38%
70,001 to 80,000	7	525,000	953	90.68%	10,238,500	28.86%
80,001 to 90,000	7	595,000	960	91.34%	10,833,500	30.54%
90,001 to 100,000	6	570,000	966	91.91%	11,403,500	32.15%
Over 100,000	85	24,068,200	1,051	100.00%	35,471,700	100.00%
	1,051	35,471,700				

Average Number of Customers 88  
Average Consumption 33,750  
Median Consumption 6,700

Supporting Schedules:

Recap Schedules:



## BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF )  
WILLIAM F. RANDALL DBA VALLE VERDE )  
WATER COMPANY FOR AN APPROVAL )  
INCREASE IN ITS WATER RATES & )  
APPLICATION OF ESTATE OF WILLIAM F. )  
RANDALL DBA VALLE VERDE )  
WATER COMPANY FOR AUTHORITY TO )  
INCUR & LONG-TERM DEBT )

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DOCKET NO. W-01431A-09-0360

DOCKET NO. W-01431A-09-0361

DIRECT

TESTIMONY

OF

DOROTHY M. HAINS, P.E.

UTILITIES ENGINEER

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

FEBRUARY 11, 2010

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**INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

**Q. By whom and in what position are you employed?**

A. I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a Utilities Engineer - Water/Wastewater in the Utilities Division.

**Q. How long have you been employed by the Commission?**

A. I have been employed by the Commission since January 1998.

**Q. What are your responsibilities as a Utilities Engineer - Water/Wastewater?**

A. My main responsibilities are to inspect, investigate and evaluate water and wastewater systems. This includes obtaining data, preparing reconstruction cost new and/or original cost studies and investigative reports, interpreting rules and regulations, and to suggest corrective action and provide technical recommendations on water and wastewater system deficiencies. I also provide written and oral testimony in rate cases and other cases before the Commission.

**Q. How many companies have you analyzed for the Utilities Division?**

A. I have analyzed more than 90 companies covering these various responsibilities for Utilities Division Staff ("Staff").

1 **Q. Have you previously testified before this Commission?**

2 A. Yes, I have testified on numerous occasions before this Commission.

3  
4 **Q. What is your educational background?**

5 A. I graduated from the University of Alabama in Birmingham in 1987 with a Bachelor of  
6 Science degree in Civil Engineering.

7  
8 **Q. Briefly describe your pertinent work experience.**

9 A. Before my employment with the Commission, I was an Environmental Engineer for the  
10 Arizona Department of Environmental Quality ("ADEQ") for ten years. Prior to that time,  
11 I was an Engineering Technician with C. F. Hains, Hydrology in Northport, Alabama for  
12 approximately five years.

13  
14 **Q. Please state your professional membership, registrations, and licenses.**

15 A. I have been a registered Civil Engineer in Arizona since 1990. I am a member of the  
16 American Society of Civil Engineering, American Water Works Association and Arizona  
17 Water Association ("AWA").

18  
19 **PURPOSE OF TESTIMONY**

20 **Q. What was your assignment in this rate proceeding?**

21 A. My assignment was to provide Staff's engineering evaluation of William F. Randall dba  
22 Valle Verde Water Company ("Valle Verde" or "Company") rate and financing  
23 applications.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. To present the findings of Staff's engineering evaluation of the Company's water system.  
3 The findings are contained in the Engineering Report that I have prepared for this  
4 proceeding. The report is included as Exhibit DMH-1 in this pre-filed testimony.  
5

6 **ENGINEERING REPORTS**

7 **Q. Would you briefly describe what was involved in preparing your Engineering Report**  
8 **for this rate proceeding?**

9 A. After reviewing the application, I physically inspected the system to evaluate its operation  
10 and to determine if any plant items were not used and useful. I contacted ADEQ to  
11 determine if the water system was in compliance with the Safe Drinking Water Act water  
12 quality requirements. After I obtained information from the Company regarding plant  
13 improvements, chemical testing expense and data of water usage, I analyzed that  
14 information. Based on the data, I prepared the attached Engineering Report. I also  
15 contacted Arizona Department of Water Resources ("ADWR") to determine if the water  
16 system was in compliance with the ADWR's requirements governing water providers.  
17

18 **Q. Please describe the information contained in your Engineering Report.**

19 A. The Reports are divided into three general sections: 1) Executive Summary; 2)  
20 Engineering Report Discussion, and 3) Engineering Report Exhibits. The Discussions  
21 section for Valle Verde Water Company can be further divided into ten subsections: A)  
22 Purpose of Report; B) Location of System; C) Description of System; D) Water Usage; E)  
23 Growth Projection; F) ADEQ compliance; G) ADWR compliance; H) ACC compliance;  
24 I) Water Testing Expenses; J) Depreciation Rates; K) Financing (Docket No. W-01431A-

09-0361); L) Other Issues. These subsections provide information about the water system serving the Company's customers.

## RECOMMENDATIONS AND CONCLUSIONS

**Q. What are Staff's recommendations and conclusions regarding the Company's operations?**

**A.** Staff's recommendations and conclusions are as follows:

### Recommendations

- I. Staff recommends that Valle Verde use depreciation rates by individual National Association of Regulatory Utility Commissioners category, as delineated in Exhibit 6 of the attached Engineering Report.
- II. Staff recommends approval of separate meter and service line installation charges as shown under the columns labeled "Staff Recommendation" in Table 6 of the attached Engineering Report.
- III. Water testing expenses are based upon participation in the ADEQ Monitoring Assistance Program; annual testing expenses should be adjusted to \$5,036.
- IV. Staff recommends that the Company monitor Valle Verde Public Water System ("PWS") No. 12-009 and record the gallons pumped and sold to determine the non-account water for calendar year 2009. The results of this monitoring and reporting shall be filed in the Company's 2009 Annual Report filed with the Commission in 2010. If the reported water loss is greater than 10 percent, the Company shall prepare

1 a report containing a detailed analysis and plan to reduce water loss to 10 percent or  
2 less. If the Company believes it is not cost effective to reduce the water loss to less  
3 than 10 percent, it should submit a detailed cost benefit analysis to support its opinion.  
4 In no case shall the Company allow water loss to be greater than 15 percent. The  
5 water loss reduction report or the detailed analysis, whichever is submitted, shall be  
6 docketed as a compliance item within 90 days of the effective date of the order issued  
7 in this proceeding.

8  
9 V. Valle Verde PWS No. 12-009 does not have adequate storage capacity. Staff  
10 recommends that a minimum of 175,000 gallons of storage capacity be installed prior  
11 to December 2011. Staff further recommends that a copy of the Approval of  
12 Construction for this storage addition be docketed as a compliance item in this case by  
13 December 31, 2011.

14  
15 **Conclusions:**

16 I. A check of the Commission's Compliance Section database dated August 3, 2009,  
17 indicated that Valle Verde has no delinquent compliance items.

18  
19 II. Valle Verde PWS Nos. 12-009 and 12-025 have no major deficiencies. ADEQ has  
20 determined that both systems are currently delivering water that meets water quality  
21 standards required by Arizona Administrative Code, Title 18, Chapter 4.

22  
23 III. Staff concludes that Valle Verde PWS No. 12-025 has adequate storage and production  
24 capacities.

25

1 IV. The calculated water loss for Valle Verde PWS No. 12-025 was 5 percent, which is within  
2 acceptable limits.

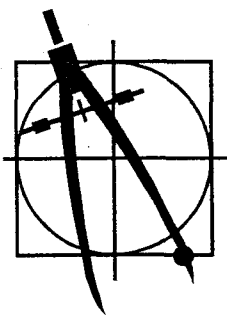
3  
4 V. Valle Verde is located in the Santa Cruz AMA and the Arizona Department of Water  
5 Resources has determined that Valle Verde is currently in compliance with departmental  
6 requirements governing water providers and/or community water systems.

7  
8 VI. Staff concludes that the proposed projects in the Financing Application are appropriate  
9 and the cost estimates presented are reasonable. However, no "used and useful"  
10 determination of the proposed project item was made and no particular treatment should  
11 be inferred for rate making or rate base purposes in the future.

12  
13 **Q. Does this conclude your Direct Testimony?**

14 **A.** Yes, it does.





**Engineering Report  
William F. Randall dba  
Valle Verde Water Company  
Prepared By  
Dorothy Hains, P. E.  
Docket Nos. W-01431A-09-0333 (Rates) &  
W-01431A-09-0334 (Financing)**

**February 11, 2010**

**EXECUTIVE SUMMARY**

**Recommendations:**

1. Utilities Division Staff ("Staff") recommends that William F. Randall dba Valle Verde Water Company ("Valle Verde" or "Company") use depreciation rates by individual National Association of Regulatory Utility Commissioners category, as delineated in Exhibit 6. (See §J and Exhibit 6 for a discussion and a tabulation of the recommended rates.)
2. Staff recommends approval of separate meter and service line installation charges as shown under the columns labeled "Staff Recommendation" in Table 6. (See §L of report for discussion and details.)
3. Water testing expenses are based upon participation in the Arizona Department of Environmental Quality ("ADEQ") Monitoring Assistance Program. Annual testing expenses should be adjusted to \$5,036. (See §I and Table 5 for discussion and details.)
4. Staff recommends that the Company monitor Valle Verde Public Water System ("PWS") No. 12-009 and record the gallons pumped and sold to determine the non-account water for calendar year 2009. The results of this monitoring and reporting shall be filed in the Company's 2009 Annual Report filed with the Arizona Corporation Commission ("Commission") in 2010. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 90 days of the effective date of the order issued in this proceeding. (See §D for discussion and details.)

5. Since Valle Verde PWS No. 12-009 does not have adequate storage capacity. Staff recommends that a minimum of 175,000 gallons of storage capacity be installed prior to December 2011. Staff further recommends that a copy of the Approval of Construction for this storage addition be docketed as a compliance item in this case by December 31, 2011. (See §C of report for discussion and details.)

**Conclusions:**

1. A check of the Commission's Compliance Section database dated August 3, 2009, indicated that Valle Verde has no delinquent compliance items. (See §H of report for discussion and details.)
2. Valle Verde PWS Nos. 12-009 and 12-025 have no major deficiencies. ADEQ has determined that both systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §F of report for discussion and details.)
3. Staff concludes that Valle Verde PWS No. 12-025 has adequate storage and production capacities. (See §C of report for discussion and details.)
4. The calculated water loss for Valle Verde PWS No. 12-025 was 5 percent, which is within acceptable limits. (See §D for discussion and details.)
5. Valle Verde is located in the Santa Cruz Active Management Area and the Arizona Department of Water Resources has determined that Valle Verde is currently in compliance with departmental requirements governing water providers and/or community water systems. (See §G of report for discussion and details.)
6. Staff concludes that the proposed projects in the Financing Application are appropriate and the cost estimates presented are reasonable. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purpose in the future. (See §K of report for discussion and details.)

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## **A. PURPOSE OF REPORT**

This report was prepared in response to the applications of the estate of William F. Randall dba Valle Verde Water Company, Inc. ("Valle Verde" or "Company") before the Arizona Corporation Commission ("ACC" or "Commission") for an increase in its water rates and for authority to incur long term debt to finance water system improvements including the purchase of a centralized arsenic treatment facility. Valle Verde is managed by Southwestern Utility Management, Inc. ("SWUM").

An inspection of the Company's water system was conducted by Dorothy M. Hains, Staff Engineer, accompanied by Eddie Morales and Keith Dojaquez managers for SWUM, on November 3, 2009.

## **B. LOCATION OF SYSTEM**

The Company is located near the City of Nogales ("City") in Santa Cruz County. Attached Exhibits 1 and 2 detail the location of the service area in relation to other Commission-regulated companies in Santa Cruz County and in the immediate area. The Company serves an area approximately two and one-half square miles in size that includes portions of Sections 13, 24 and 25 of Township 23 South, Range 13 East, portions of Sections 30 and 31 of Township 23 South, Range 14 East and a portion of Section 5 of Township 24 South, Range 14 East.

## **C. DESCRIPTION OF SYSTEM**

### *1. System Description*

The Company owns and operates two water systems. Public Water System ("PWS") No. 12-009 consists of two wells that have 530 gallons per minute ("GPM") combined capacity, one 500 GPM tetrachloroethylene ("PCE") removal plant, two pressure tanks and a distribution system serving approximately 730 metered customers.

This system is interconnected with the City water system. During 2008 the Company used this interconnection to deliver water purchased from the City to its customers. The Company ceased purchasing water after the PCE removal plant was in service.

Due to the PCE contamination, Well Nos. 1, 4 7 and 8 in the PWS No. 12-009 have been abandoned. Prior to abandonment, the Company downgraded Well No. 4 to an irrigation well and had been providing bottled water to customers in the Well No. 4 service area

Exhibits 3A, 3B, 3C and 3D are schematic drawings of the water systems.

PWS No. 12-025 consists of three wells that have 1,350 GPM combined capacity, 1,000,000 gallon storage capacity, two booster pump stations, two pressure tanks and a

distribution system serving approximately 90 metered customers. Arsenic levels in Well Nos. 5 and 6 exceed the 10 µg/l arsenic standard. The Company seeks financing approval from the Commission to install an arsenic treatment plant. (See Section K for detail discussion.) Detailed listing of the Company's water systems facilities are as follows:

**Table 1 Plant Data (PWS Nos. 12-009 & 12-025)**

**Active Drinking Water Wells (PWS No.12-009)**

Well No.	ADWR No.	Year Drilled (19xx)	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)
2	55-617054	1972	16	260	6	60	400
3	55-617055	1971	12	220	3	15	130

**Storage, Pumping Equipment (PWS #12-009)**

Location	Structure or equipment	Capacity
Well No. 2 site	Pressure Tank	One 10,000 gal
Well No. 3 site	Pressure Tank	One 3,000 gal

**Water Treatment Plant (PWS No.12-009)**

	Treatment Type	Size (in gpm)	Location
PCE Removal Plant	Active Carbon Adsorption	500	Well #2 site

**In active Storage, Pumping Equipments (PWS No.12-009)**

Location	Structure or equipment	Capacity
Well #1 site	Pressure Tank	One 5,000 gal
Well #4 site	Pressure Tank	One 3,000 gal
Well #7 site	Pressure Tank	One 3,000 gal
Well #8 site	Pressure Tank	Two 57 gal

Inactive Wells (PWS No.12-009)

Well #	ADWR No.	Year Drilled (19xx)	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)
1	55-617053	1954	12	105	4	30	200
4	55-513789	1987	12	203	3	10	70
7	55-801847	1933	10	93	4	30	400
8	55-617057	N/A	N/A	N/A	2	3	32

Active Drinking Water Wells (PWS No. 12-025)

Well No.	ADWR No.	Year Drilled (19xx)	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)
5	55-617054	1972	16	260	6	60	400
6	55-617055	1971	12	220	3	15	130
10	55-582348	2001	12	300	6	30	450

Storage, Pumping Equipments (PWS No. 12-025)

Location	Structure or equipment	Capacity
Well No. 5 site	Pressure Tank	One 5,000 gal
Well No.6 Tank site	Pressure Tank	One 10,000 gal
	Storage Tank	One 800,000 gal
	Booster pumps	Two 100-HP
	Booster pumps	One 50-HP
	Booster pumps	Two 25-HP
Well No.10 site	Pressure Tank	One 5,000 gal
	Storage Tank	One 200,000 gal
	Booster pumps	Three 30-HP
	Booster pumps	Two 15-HP

### Distribution Mains

Diameter (inches)	Material	Length (feet)
2	polyvinyl chloride ("PVC")	8,397
3	Asbestos Cement ("AC"),	920
3	steel	1,300
4	PVC	16,560
4	AC	8,299
6	PVC	19,818
8	PVC	3,220
12	PVC	400
16	PVC	2,175
18	PVC	1,070

### Meters

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	316
$\frac{3}{4}$	404
1	38
1½	3
2	12
3 (comp)	3

## 2. System Analysis

### a. PWS No. 12-009

The system does not currently have any storage capacity. The Company has not proposed in its financing application to install additional storage capacity (see Section K.). Since PWS No. 12-009 does not currently have any storage capacity Staff recommends that a minimum of 175,000 gallons of storage capacity be installed prior to December 2011.<sup>1</sup> Staff further recommends that a copy of the Approval of Construction for this storage addition be docketed as a compliance item in this case by December 31, 2011.

### b. PWS No. 12-025

The system has adequate storage and production capacities.

---

<sup>1</sup>, Staff's calculation is based on daily average usage during the peak month in test year and fire flow requirement of 1,000 gpm for one hour and five year projected growth.



#### D. WATER USAGE

Table 2 and Table 3 summarize water usage in the Company's CC&N area. Exhibit 4 includes graphs that show water consumption data in gallons per day ("GPD") per connection for each system during the test year.

**Table 2 Water Usage in the System (Valle Verde – PWS No. 12-009)**

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 08	732	5,058,000	614,000	8,050,000	223
Feb 08	733	4,994,000	497,000	7,004,000	243
Mar 08	731	4,687,000	1,094,000	9,154,000	207
Apr 08	736	4,952,000	1,247,000	6,678,000	224
May 08	739	7,631,000	1,025,000	7,358,000	333
Jun 08	741	9,505,000	933,000	10,173,000	428
Jul 08	744	7,671,000	912,000	7,446,000	333
Aug 08	743	6,769,000	980,000	6,397,000	294
Sep 08	738	6,594,000	968,000	6,347,000	298
Oct 08	730	5,322,000	1,030,000	4,873,000	235
Nov 08	730	5,679,000	4,400,000	1,829,000	259
Dec 08	731	4,602,000	4,751,000	0 <sup>1</sup>	203
total		73,464,000	18,451,000	75,309,000	
Average					273

Note: 1. In 2008 the Company had to purchase water from City of Nogales to serve its customers in PWS No. 12-009, since the completion of the PCE treatment plant and other system improvements the Company has not had to purchase any additional water from the City of Nogales.

**Table 3 Water Usage in the System (Valle Verde – PWS No. 12-025)**

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 08	90	1,837,000	1,732,000	0	658
Feb 08	92	1,699,000	2,217,000	0	660
Mar 08	93	1,652,000	2,338,000	0	573
Apr 08	90	1,498,000	2,566,000	0	555
May 08	91	2,817,000	2,566,000	0	999
Jun 08	92	3,729,000	2,891,000	0	1,351
Jul 08	91	2,981,000	4,426,000	0	1,057
Aug 08	93	2,287,000	1,905,000	0	793
Sep 08	93	1,778,000	2,046,000	0	637
Oct 08	93	3,571,000	2,188,000	0	1,239
Nov 08	93	3,315,000	4,573,000	0	1,188
Dec 08	93	2,106,000	1,419,000	0	730
total	93	29,270,000	30,867,000	0	
Average					870

1. *Water Sold*

a. PWS No. 12-009

Based on information provided by the Company, during the test year the Company experienced an overall daily average use of 273 GPD per customer, a high use of 428 GPD per customer, and a low use of 203 GPD per customer. The highest total monthly use occurred in June, when a total of 9,505,000 gallons were sold to 741 customers. The lowest total monthly use occurred in December, when 4,602,000 gallons were sold to 731 customers.

b. PWS No. 12-025

Based on information provided by the Company, during the test year the Company experienced an overall daily average use of 870 GPD per customer, a high use of 1,351 GPD per customer, and a low use of 555 GPD per customer. The highest total monthly use occurred in June, when a total of 3,729,000 gallons were sold to 92 customers. The lowest total monthly use occurred in April, when 1,498,000 gallons were sold to 90 customers.

2. *Non-account Water*

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between the water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing.

a. PWS No. 12-009

The Company reported 73,464,000 gallons of water sold, and 75,309,000 gallons purchased and 18,451,000 gallons pumped during the test year. The calculated water loss in this system was 21.7 percent, which exceeds Staff's recommended 10 percent threshold.

The Company believes that water loss was due to leakage from a 12-inch main during the test year. The Company stated that this leaking pipeline had been repaired in 2009. To support its position the Company provided water usage data collected after December 2008. The recent water usage data from January 2009 to October 2009 indicates that water loss has been reduced to 2 percent. Staff recommends that the Company monitor Valle Verde PWS No. 12-009 and record the gallons pumped and sold to determine the non-account water for calendar year 2009. The results of this monitoring and reporting shall be filed in the Company's 2009 Annual Report filed with the Commission in 2010. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 90 days of the effective date of the order issued in this proceeding.

b. PWS No. 12-025

The Company reported 29,270,000 gallons of water sold, and 30,867,000 gallons pumped during the test year. The calculated water loss in this system was 5 percent, which is within acceptable limits.

**E. GROWTH PROJECTION**

Based on the service meter data contained in the Company's annual reports, the number of customers increased from 747 at the end of 1996 to 824 at the end of 2008, which results in an average growth rate of 7.8 customers per year for the period. Based on the linear regression analysis, the Company could serve approximately 902 customers by end of 2014. The following table summarizes both actual and projected growth in the Company's certificated service area.

**Table 4 Actual and Projected Growth (Valle Verde)**

Year	Nos. of Customers	
1996	747	Reported
1997	746	Reported
1998	754	Reported
1999	771	Reported
2000	788	Reported
2001	795	Reported
2002	832	Reported
2003	808	Reported
2004	807	Reported
2005	845	Reported
2006	860	Reported
2007	867	Reported
2008	824	Reported
2009	863	Estimated
2010	871	Estimated
2011	878	Estimated
2012	886	Estimated
2013	894	Estimated
2014	902	Estimated

**F. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE**

Staff received compliance status reports from ADEQ dated December 8, 2009 and January 6, 2010 in which ADEQ stated that both PWS No. 12-009 and PWS No. 12-025 have no major deficiencies. ADEQ has determined that both systems are currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

**G. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE**

Valle Verde is located in the Santa Cruz Active Management Area ("AMA") as designated by ADWR, and is subject to AMA reporting and conservation rules. Staff received a compliance status report from ADWR dated September 1, 2009, in which ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.

**H. ACC COMPLIANCE**

A check of the Commission's Compliance Section database dated August 3, 2009, indicated that Valle Verde has no delinquent compliance items.

## I. WATER TESTING EXPENSES

Valle Verde is subject to mandatory participation in the ADEQ Monitoring Assistance Program ("MAP"). Staff calculated the testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria, and disinfection by-products.
2. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented as a pro forma expense on an annualized basis.
3. MAP fees were calculated from the ADEQ MAP rules.
4. All monitoring expenses are based on Staff's best knowledge of lab costs and methodology and one point of entry.
5. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs could dramatically increase.

Table 5 shows the estimated annual monitoring expense, assuming participation in the MAP program. Water testing expenses should be adjusted to Staff's annual expense amount of **\$5,036** (rounded) shown in Table 5.

**Table 5 Water Testing Costs (Valle Verde)**

Monitoring – wells (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period		Total cost per three year period		Annual Cost		
PWS #		12-009	12-025	12-009	12-025	12-009	12-025	Total
Bacteriological – monthly	\$25	72	36	\$1,800	\$900	\$600	\$300	\$900
Inorganics (& secondary)	\$300	MAP	MAP	MAP	MAP	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP	MAP	MAP	MAP	MAP	MAP
IOC's, SOC's, VOC's	\$2,805	MAP	MAP	MAP	MAP	MAP	MAP	MAP
Nitrites	\$20	MAP	MAP	MAP	MAP	MAP	MAP	MAP
Nitrates – annual	\$40	MAP	MAP	MAP	MAP	MAP	MAP	MAP
Asbestos – per 9 years	\$180	1/3	1/3	MAP	MAP	MAP	MAP	MAP
Lead & Copper – annual	\$45	30	30	\$1,350	\$1,350	\$450	\$450	\$900
TTHM– per 3 years	\$150	3	3	\$450	\$450	\$150	\$150	\$300
HHAs– per 3 years	\$155	3	3	\$465	\$465	\$155	\$155	\$310
MAP fees (annual)						\$2,172.36	\$453.03	\$2,625.39
<b>Total</b>						<b>\$3,527.36</b>	<b>\$1,508.03</b>	<b>\$5,035.39</b>

## J. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Exhibit 6, and should be used to calculate the annual depreciation expense for the Company. It is recommended that the Company use the depreciation rates by individual National Association of Regulatory Utility Commissioners (“NARUC”) category, as delineated in Exhibit 6.

## K. FINANCING (Docket No. W-01431A-09-0361)

The Company filed with the Commission a financing application requesting authority to incur long term debt in the amount of \$1,063,478 to finance water system improvements including the purchase of a centralized arsenic treatment facility. More specifically the planned improvements include: (1) the purchase of a centralized arsenic treatment facility; (2) the interconnection of Well Nos. 2 and 4; (3) distribution system upgrades; (4) the installation of Pressure Reducing Valve (“PRV”) stations; (5) service line and service meter replacements; (6) well abandonment; (7) distribution system analysis and (8) system mapping.

*1. Project Description*

a. Arsenic Treatment Facility

Both Well Nos. 5 and 6 have high arsenic levels above the MCL. Well No. 6 contains arsenic at a level of 12 µg/l which exceeds the 10 µg/l arsenic standard and Well No. 5 contains arsenic level at a level of 9 µg/l just below the standard. The Company proposes to install a 500 GPM media adsorption arsenic removal plant at the PWS No. 12-025 Tank Site.

b. Interconnection of Well Nos. 2 and 4

Well No. 4 contains high levels of PCE and was designed for irrigation use only.<sup>2</sup> In 2009, Well No. 4 stopped producing water, so the Company disconnected the well head from the distribution system. The proposed interconnection will facilitate the transfer of the customers who were served by Well No. 4, to Well No. 2 so these customers will receive adequate service in PWS No. 12-009.

c. Distribution System Upgrades

The Company indicated that its distribution system is limiting service efficiency due to the use of 2-inch diameter mains in PWS No. 12-009. The Company's proposal would replace the undersized 2-inch with 6-inch diameter mains. This upgrading job will enlarge Well #3 service area.

d. Installation of PRV Stations

The Company proposes to install a PRV Station at the Well No. 3 site due to pressure in the area exceeding 100 psi. Another PRV would also be installed at Chula Vista Estates.

e. Service Line and Service Meter Replacements

To reduce water loss, the Company proposes to: (1) replace existing water meters with remote or lockable water meters, (2) replace existing Schedule 20 PVC service line with 200 psi rated PVC or Type K soft copper pipe and (3) install fire hydrant locks to prevent theft.

f. Well Abandonment

Due to PCE contamination, the Company had disconnected Well Nos. 1, 4, 7 and 8 from its distribution. Those wells have not been abandoned per ADWR well closure requirements. To prevent possible contamination of the groundwater, proper well closure and abandonment work would be completed.

---

<sup>2</sup> Bottle water was provided to customers for drinking.

g. Distribution system analysis and computer modeling

The Company stated this modeling would help define future growth and allow it to better manage and maintain its two water systems in the future.

h. System Mapping

The Company proposes to do a pressure analysis in its distribution systems. The analysis results will be used to develop a system map.

2. *Cost*

A general description and breakdown of the funding required is as follows:

Project Description	Quantity (unit)	Unit Cost (\$)	Co.' proposed costs (\$)
<b>a. Arsenic Treatment Facility</b>			
An 500 GPM treatment plant	1	300,000	300,000
Site Electrical	1	22,500	22,500
Building shade	1	17,500	17,500
<b>subtotal</b>			<b>340,000</b>
<b>b. Interconnection of Well Nos. 2 and 4</b>			
Installing 6-inch PVC pipeline (in ft)	1,500	30.00	45,000
Installing 6-inch valves	3	2,500	7,500
Installing ½-inch Air Release ("AR") valve	3	1,500	4,500
<b>subtotal</b>			<b>57,000</b>
<b>c. Distribution System Upgrades</b>			
<b>For System No.12-009</b>			
Mobilization & demobilization	1	20,000	20,000
Installing 6-inch PVC (in ft)	1,500	55	82,500
Installing 6-inch gate valve	3	2,500	7,500
½-inch AR valve	3	1,500	4,500
<b>subtotal</b>			<b>114,500</b>
<b>Miscellaneous area</b>			
Mobilization & demobilization	1	20,000	20,000
Installing 6-inch PVC (in ft)	500	55	27,500
Installing 6-inch gate valve	1	2,500	2,500
½-inch AR valve	1	1,500	1,500
<b>subtotal</b>			<b>51,500</b>
<b>d. Installation of PRV Stations</b>			
PRV station installation	2	10,000	20,000
<b>subtotal</b>			<b>20,000</b>



<b>e. Service Line and Service Meter Replacements</b>			
<b>Relocate Mains &amp; Service Line to the easement</b>			
Installation/Replacement of 6-inch PVC	1,200	55	66,000
Installation/Replacement of 6-inch gate valve	2	2,500	5,000
Installation/Replacement of 1-inch service line	25	1,250	31,250
Removal/Replace pavement/sidewalk (in square yard)	500	40	20,000
<b>subtotal</b>			<b>122,250</b>
<b>Replace service line</b>			
# of 1-inch service line replacement	25	1,250	31,250
<b>subtotal</b>			<b>31,250</b>
<b>Service meter replacement</b>			
# of service meter replacement by 1-inch lockable meter	25	300	7,500
<b>subtotal</b>			<b>7,500</b>
<b>Fire Hydrant ("FH") lock installation</b>			
# of FHs needs locks	10	500	5,000
<b>subtotal</b>			<b>5,000</b>
<b>f. Well Abandonment</b>			
4 wells (Well #1, Well #4, Well #7 & Well #8) to be plugged		10,000	10,000
<b>subtotal</b>			<b>10,000</b>
<b>g. Distribution system analysis and computer modeling</b>			
# of Calibration	2	1,000	2,000
# of Fire flow tests	2	900	1,800
# of Field work	2	900	1,800
<b>subtotal</b>			<b>5,600</b>
<b>h. System Mapping</b>			
# of field work	3	900	2,700
<b>subtotal</b>			<b>2,700</b>
<b>Total (Construction Cost ("CC"))</b>			
			<b>767,300</b>
Admin & Legal Fee (2% CC)			<b>15,346</b>
Engineering Fee (8% CC)			<b>61,384</b>
Survey Fee (2% CC)			<b>15,346</b>
Inspection Fee (3.5% CC)			<b>26,855</b>
<b>Total</b>			<b>886,231</b>
<b>Contingency expense (20%)</b>			
			<b>177,246</b>
<b>Total Cost</b>			<b>1,063,478</b>

Staff concludes that the proposed projects in the Financing Application are appropriate and the cost estimates presented above are reasonable. However, no "used and useful" determination of the proposed project item was made and no particular treatment should be inferred for rate making or rate base purposes in the future.

## L. OTHER ISSUES

### 1. Service Line and Meter Installation Charges

Staff recommends approval of separate meter and service line installation charges as shown under the columns labeled "Staff Recommendation" in Table 6. Since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation. Therefore, separate service line and meter charges have been developed by Staff. Staff's recommended charges listed in the table below should be adopted.

**Table 6 Service Line and Meter Installation Charges (Valle Verde)**

Meter Size	Current Meter & Service Line Installation Charges	Proposed Service Line Installation Charge	Proposed Meter Charge	Proposed total installation Charge	Staff Recommendation (meter installation charge)	Staff Recommendation (Service Line installation charge)	Staff Recommended total charges
5/8 x 3/4-inch	\$320	\$445	\$155	\$600	\$155	\$445	\$600
3/4-inch	\$360	\$445	\$255	\$700	\$255	\$445	\$700
1-inch	\$420	\$495	\$315	\$810	\$315	\$495	\$810
1½-inch	\$635	\$550	\$525	\$1,075	\$525	\$550	\$1,075
2-inch (Turbine)	\$1,090	\$830	\$1,045	\$1,875	\$1,045	\$830	\$1,875
2-inch (Compound)	N/A	\$830	\$1,890	\$2,720	\$1,890	\$830	\$2,720
3-inch (Turbine)	\$1,505	\$1,045	\$1,670	\$2,715	\$1,670	\$1,045	\$2,715
3-inch (Compound)	N/A	\$1,165	\$2,545	\$3,710	\$2,545	\$1,165	\$3,710
4-inch (Turbine)	\$2,380	\$1,490	\$2,670	\$4,160	\$2,670	\$1,490	\$4,160
4-inch (Compound)	N/A	\$1,670	\$3,645	\$5,315	\$3,645	\$1,670	\$5,315
6-inch (Turbine)	\$4,655	\$2,210	\$5,025	\$7,235	\$5,025	\$2,210	\$7,235
6-inch (Compound)	N/A	\$2,330	\$6,920	\$9,250	\$6,920	\$2,330	\$9,250
Over 6-inch	N/A	N/A	N/A	N/A	Actual Cost	Actual Cost	Actual Cost

2. *Curtailment Tariff*

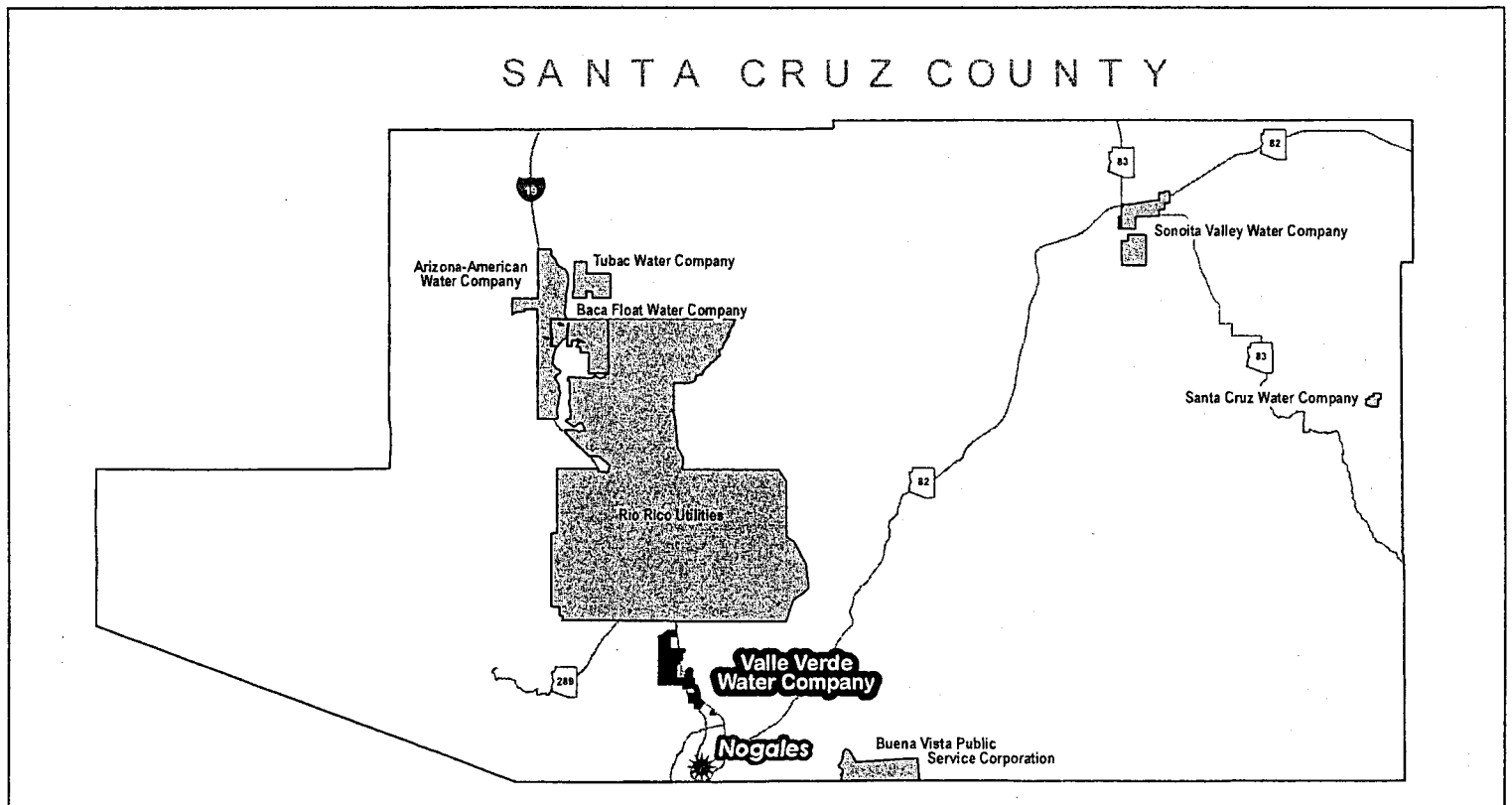
The Company has an approved curtailment tariff on file with the Commission.

3. *Cross Connection or Backflow Tariff*

The Company has an approved backflow prevention tariff on file with the Commission.

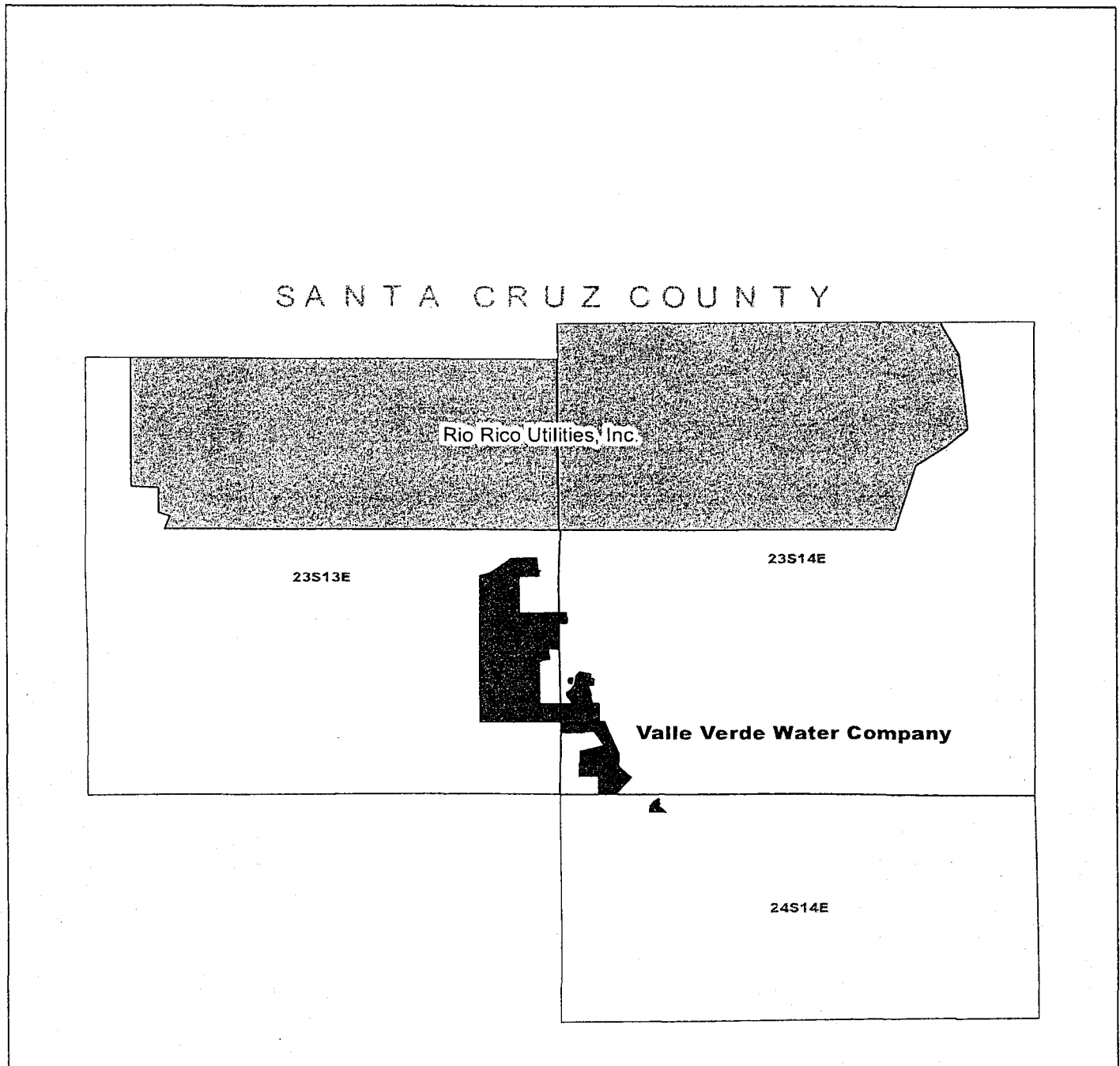
## EXHIBIT 1

### Valle Verde Certificate Service Area

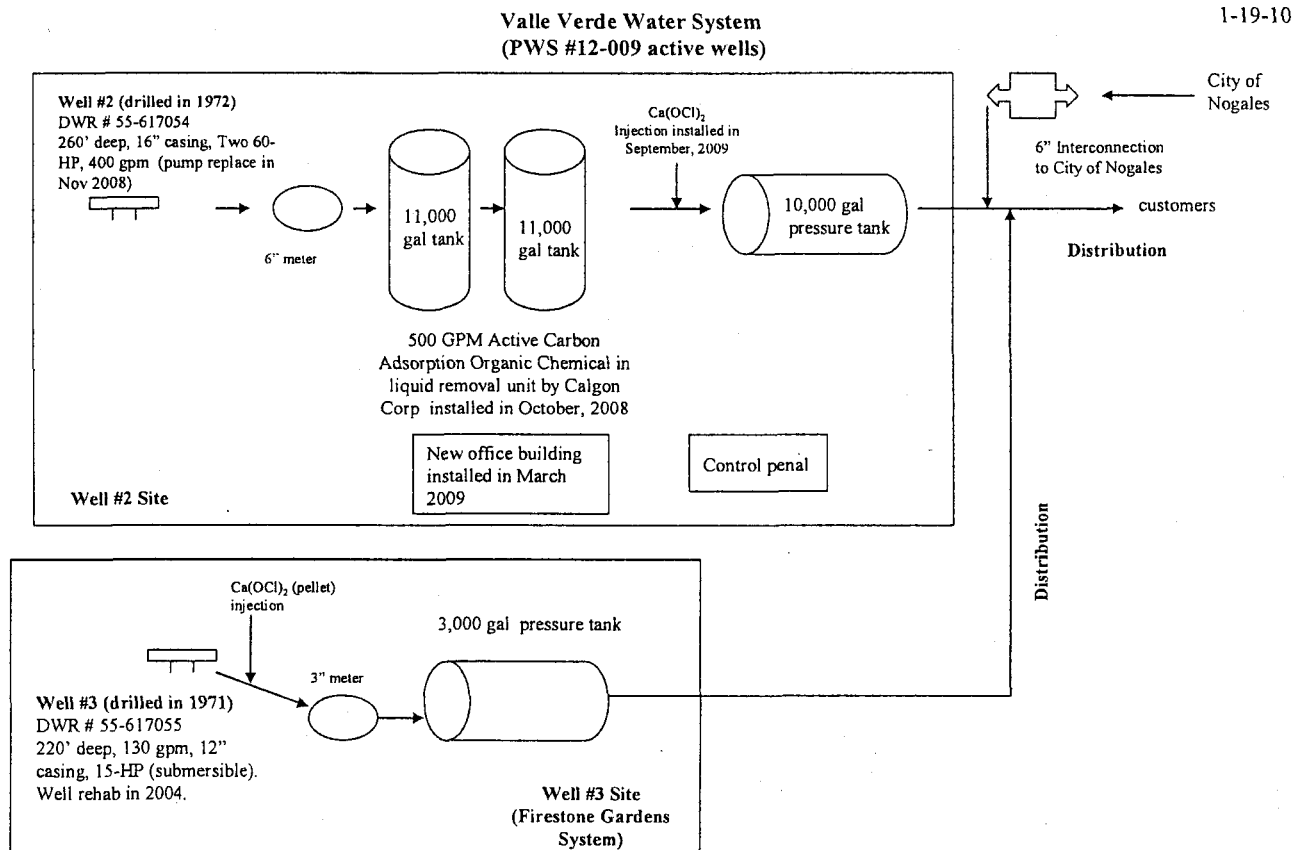


**EXHIBIT 2.**

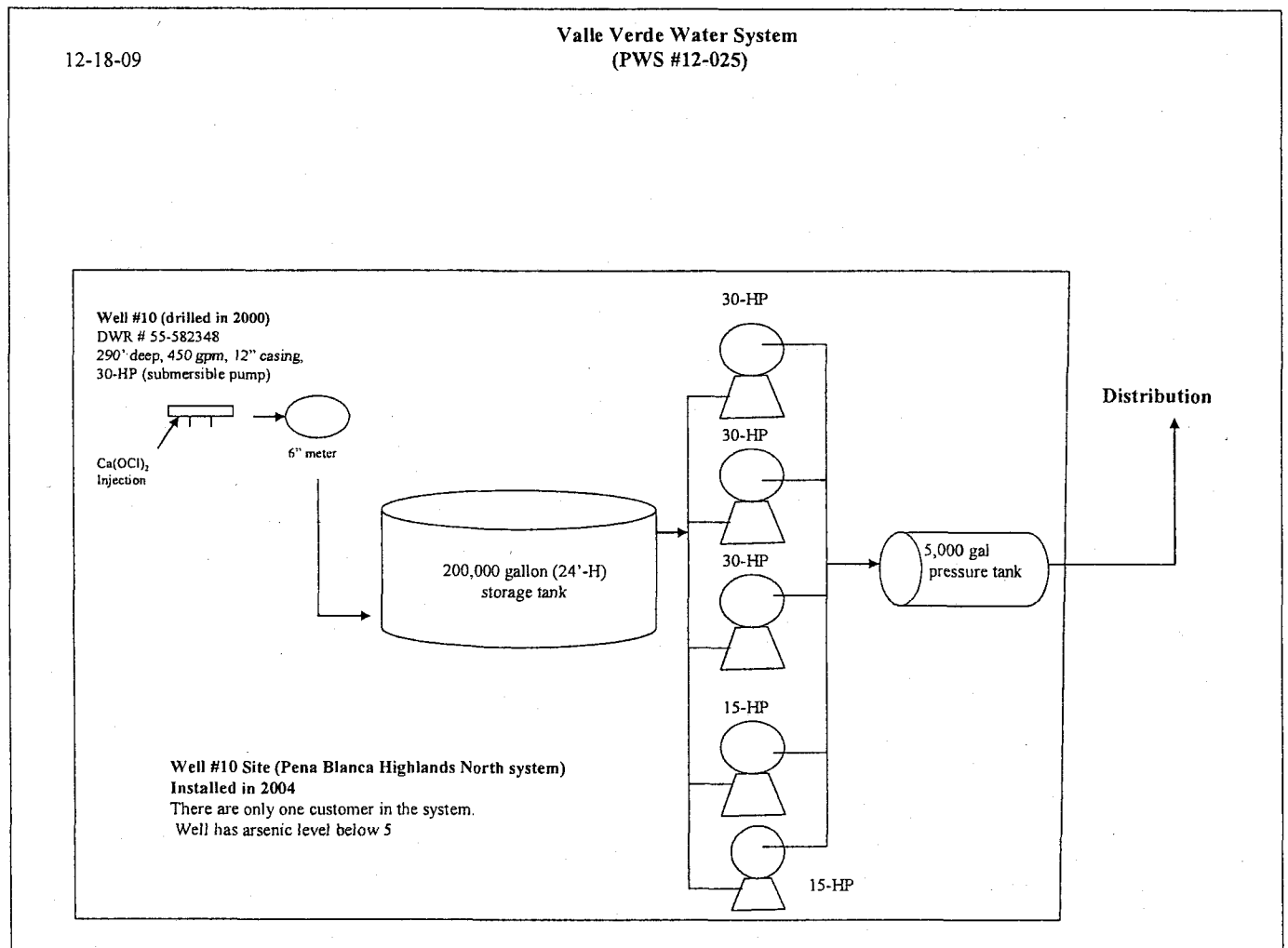
**LOCATION OF VALLE VERDE SERVICE AREA**



**EXHIBIT 3A**  
**SYSTEMATIC DRAWING**

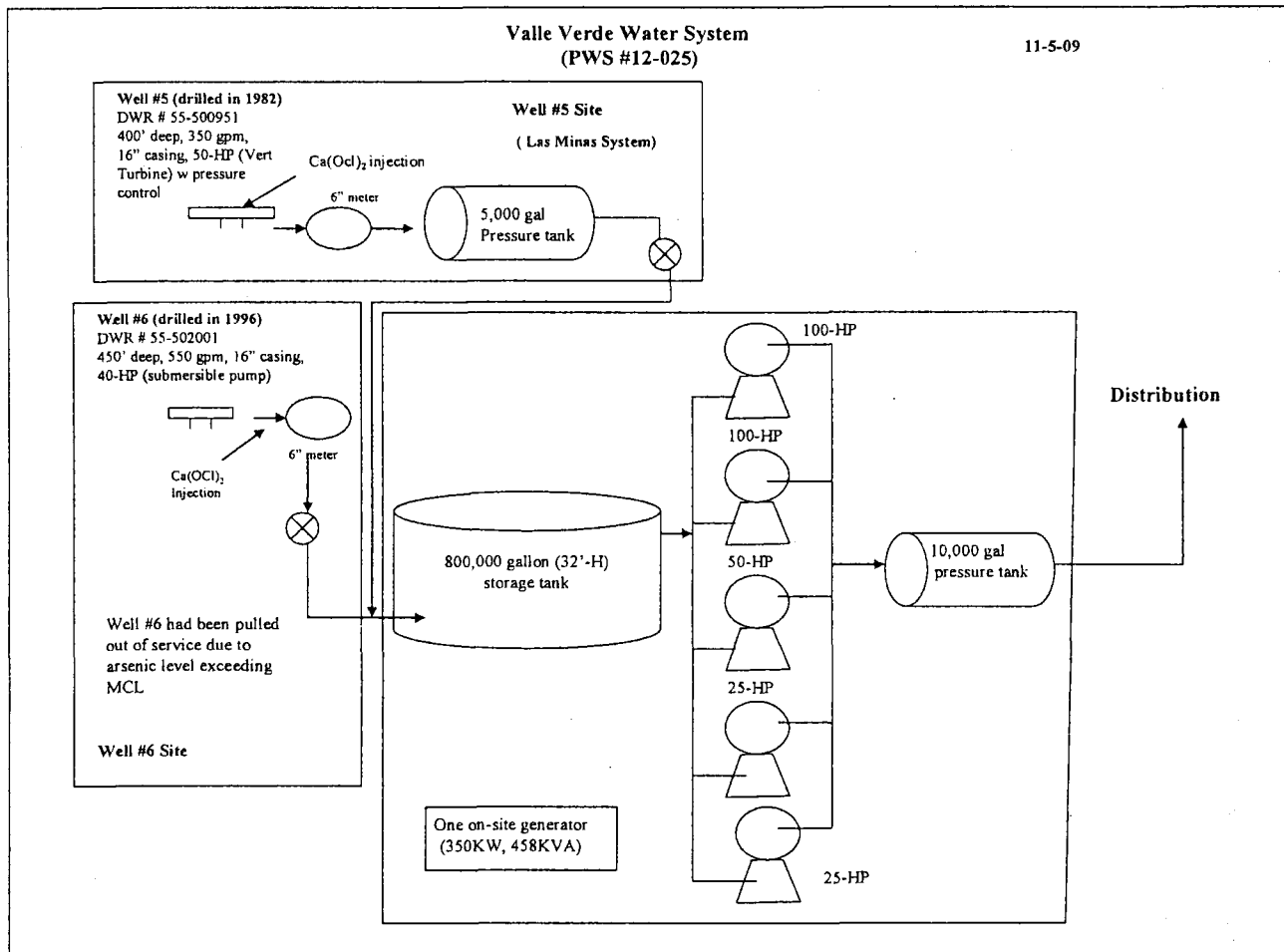


**EXHIBIT 3B**  
**SYSTEMATIC DRAWING**



## EXHIBIT 3C

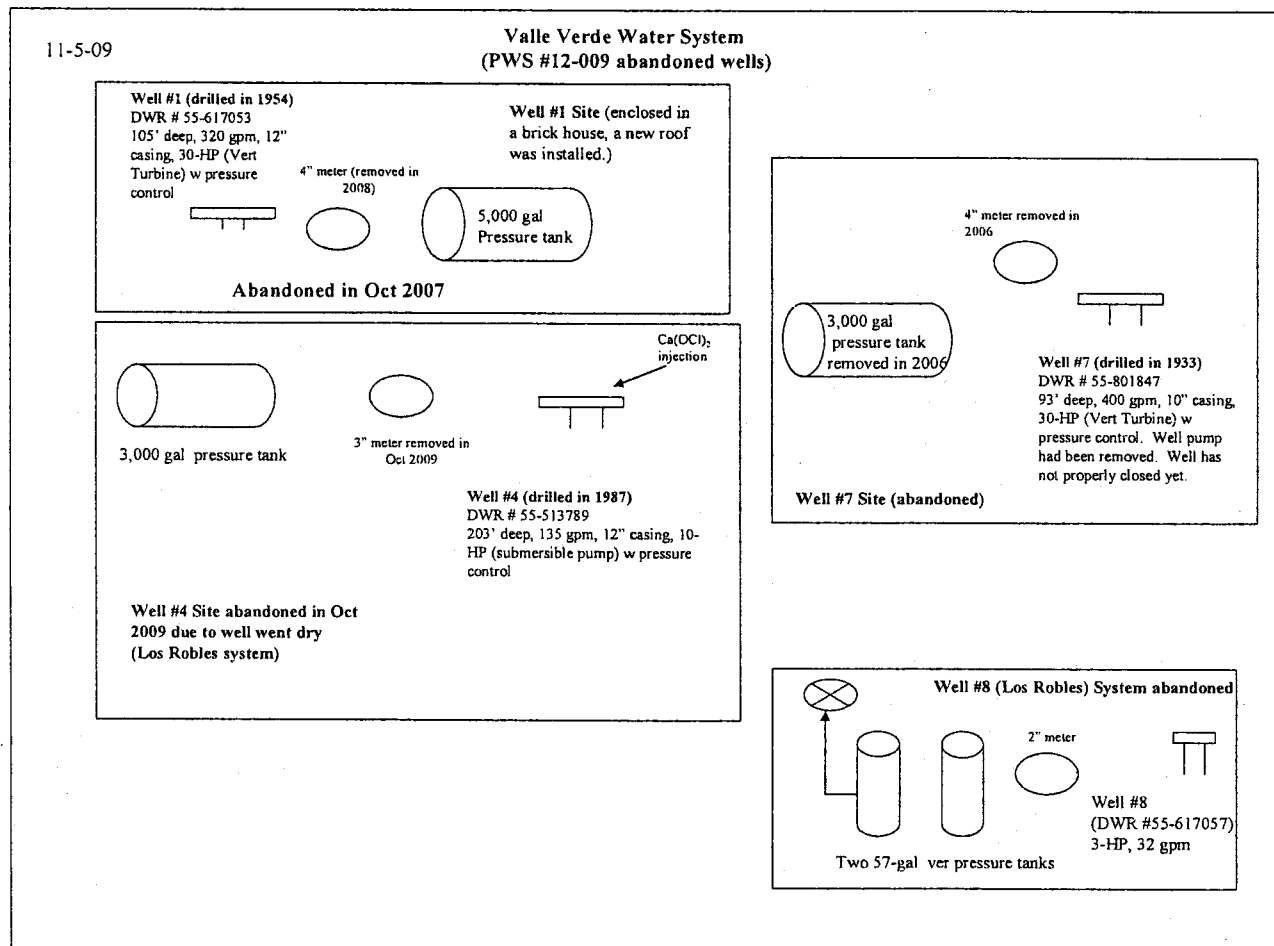
### SYSTEMATIC DRAWING





## EXHIBIT 3D

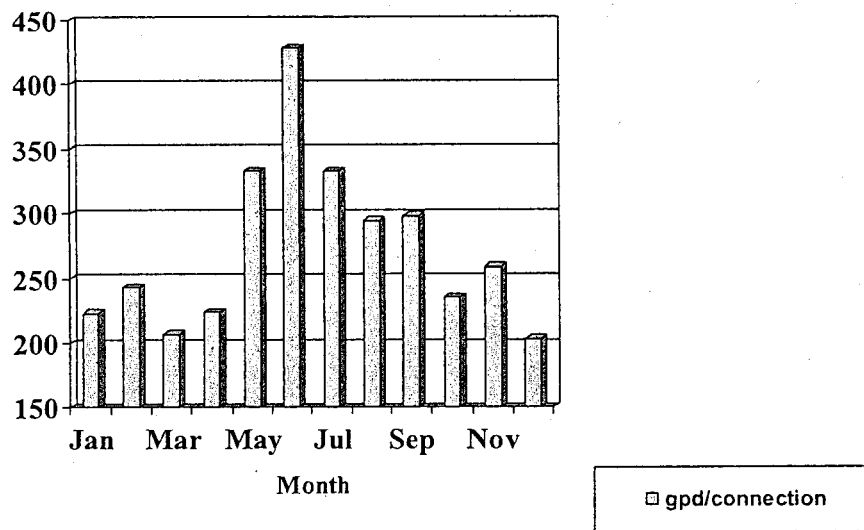
### SYSTEMATIC DRAWING



**EXHIBIT 4A**

**WATER USAGE ON THE VALLE VERDE SERVICE AREA**

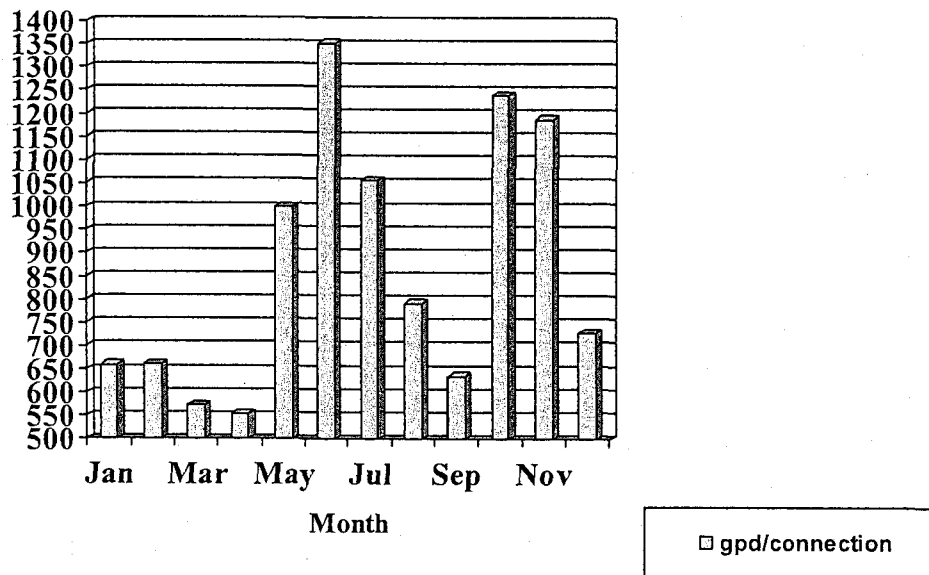
**During 2008 Test Year Water Usage In Valle Verde Water Co.  
( PWS #12-009) Service Area**



**EXHIBIT 4B**

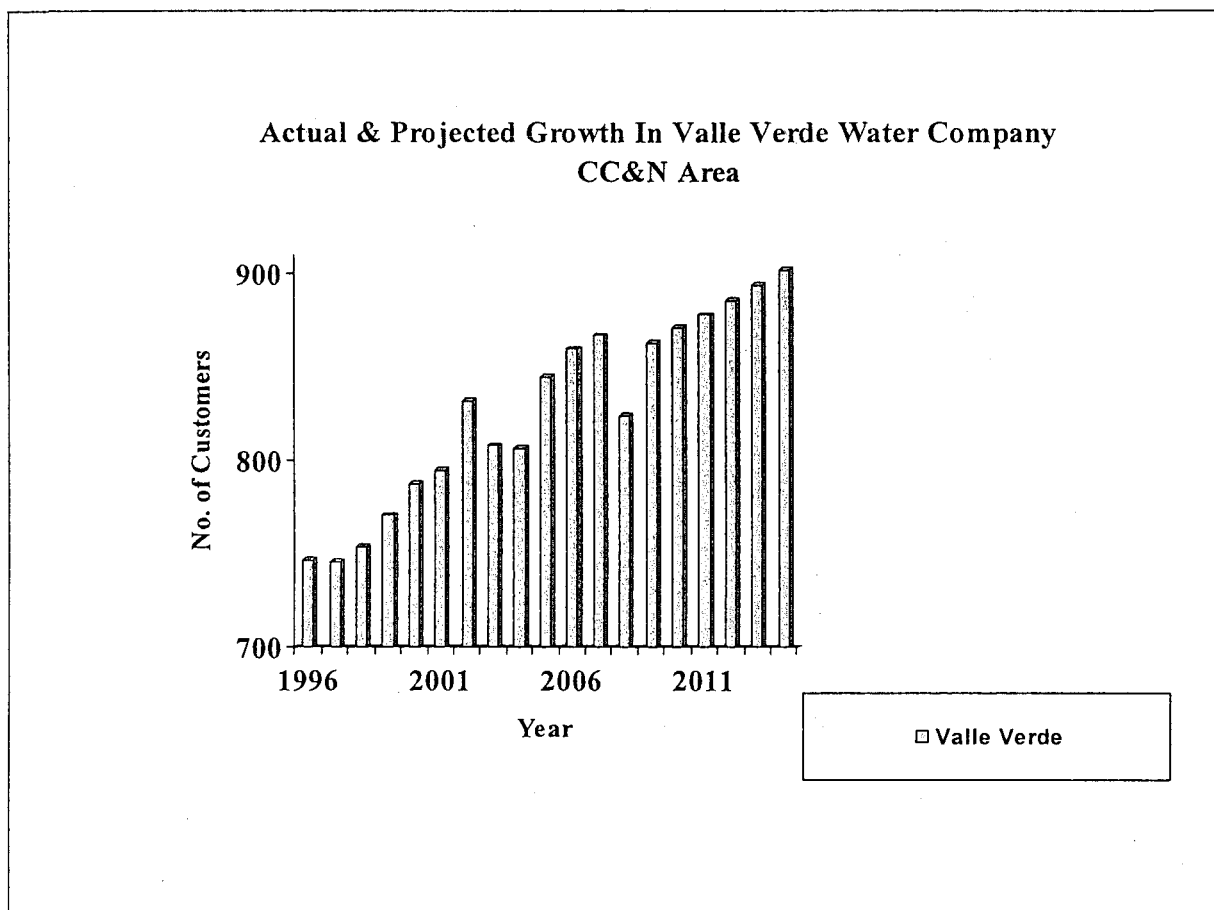
**WATER USAGE ON THE VALLE VERDE SERVICE AREA**

**During 2008 Test Year Water Usage In Valle Verde Water Co.  
( PWS #12-025) Service Area**



**EXHIBIT 5**

**ACTUAL AND PROJECTED GROWTH IN VALLE VERDE SERVICE AREA**

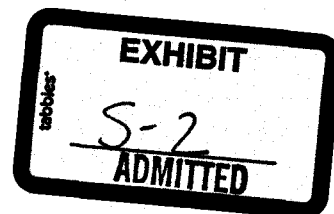


**Exhibit 6**

**Water Depreciation Rates (Valle Verde Water)**

Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
320.4	Water Treatment Plant (media) – PCE removal plant	20	5.00
330	Distribution Reservoirs & Standpipes		
	Storage Tanks		
330.1	Pressure Tanks	45	2.22
330.2		20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00
348	Other Tangible Plant	----	----

BEFORE THE ARIZONA CORPORATION COMMISSION



KRISTIN K. MAYES  
Chairman

GARY PIERCE  
Commissioner

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION OF )  
THE ESTATE OF WILLIAM F. RANDALL )  
DBA VALLE VERDE WATER COMPANY FOR )  
APPROVAL OF AN INCREASE IN ITS WATER )  
RATES AND THE APPLICATION OF THE )  
ESTATE OF WILLIAM F. RANDALL DBA )  
VALLE VERDE WATER COMPANY FOR )  
AUTHORITY TO INCUR LONG-TERM DEBT )  
\_\_\_\_\_ )

DOCKET NO. W-01431A-09-0360

DOCKET NO. W-01431A-09-0361

SURREBUTTAL

TESTIMONY

OF

DOROTHY M. HAINS

UTILITIES ENGINEER

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

APRIL 01, 2010

**I. INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

**Q. Are you the same Dorothy Hains who has previously filed testimony in this Valle Verde Water Company ("Company") rate and financing proceeding?**

A. Yes.

**Q. What is the purpose of your surrebuttal testimony?**

A. In my Direct Testimony I recommended that the Company add a minimum of 175,000 gallons of additional storage capacity to the Valle Verde water system (Public Water System ID No. 12-009). In the Company's Rebuttal Testimony, the Company's witness stated that the 175,000 gallon storage tank installation cost would be around \$275,000. The Company revised its cost estimate to \$250,460 in a March 26, 2010 e-mail (attached) to Staff. In this Surrebuttal Testimony Staff provides its recommendations regarding the Company's latest cost estimate of \$250,460.

**II. THE ESTIMATED COST OF INSTALLATION OF A 175,000 GALLON STORAGE TANK**

**Q. Have you had an opportunity to review the Company's latest cost estimate of \$250,460?**

A. Yes.

**Q. What are Staff's conclusions and recommendations regarding this estimate?**

A. The Company listed eleven plant items that it had included which totaled to the \$250,460 estimate. Staff concludes that four of the eleven plant items which are not directly related

to the needed storage capacity addition should be excluded. The four plant items that Staff is recommending be disallowed include: 1) the 5,000 gallon pressure tank; 2) related pressure tank foundation; 3) related pressure tank controls; and, 4) the chlorination system. The Company already has multiple pressure tanks installed that appear to be in good working order. At this time the Company has provided no justification to support its proposal to add additional system pressure capacity and related plant items nor has it provided any justification for the chlorination system. The Company's wells are already equipped with disinfection units, Staff therefore concludes that the additional disinfection unit is not needed.

A general description and breakdown of the funding required is as follows:

Item No.	Item Description	Quantity (unit)	Estimated Cost (\$)	Staff Adjustment (\$)	Recommended Cost (\$)
1	175,000 gallon storage tank (44'-Di)	1	175,000	0	175,000
2	Tank Ring (estimated 240')	1	2,200	0	2,200
3	Tank probes	1	560	0	560
4	Valves & meters	1	11,000	0	11,000
5	Booster pumps (7½-HP, 4,100\$/unit)	2	8,200	0	8,200
6	5,000 gallon pressure tank	1	28,000	(28,000)	0
7	Pressure tank foundation	1	2,000	(2,000)	0
8	Pressure tank control	1	2,300	(2,300)	0
9	Air compressor/air induction	1	3,000	0	3,000
10	Discharge manifold	1	2,700	0	2,700
11	Chlorination (disinfection unit)	1	3,400	(3,400)	0
12	Electric/ control panel	1	12,100	0	12,100
	<b>Total</b>		<b>250,460</b>	<b>(35,700)</b>	<b>214,760</b>



1           Staff finds that \$214,760 is a reasonable amount to add 175,000 gallons of additional  
2           storage capacity to the Company's water system.

3

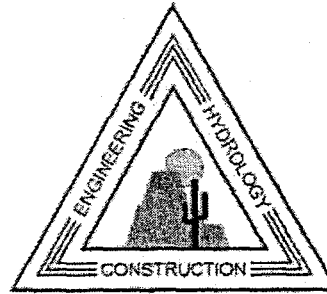
4   **Q.    Does this conclude your surrebuttal testimony?**

5   **A.    Yes, it does.**

6

March 26, 2010

Steve Wene  
Moyes Sellers & Sims  
1850 N. Central Ave. Ste. 1100  
Phoenix, AZ 85004  
(602) 604-2189  
Re: Valle Verde (09-0360 & 09-0361)



GREG CARLSON ENGINEERING, L.L.C.  
1521 E. Broadway Boulevard, Tucson, AZ. 85719  
(520)-824-0570 fax(520)-824-4197  
e-mail: gceeng@gceeng.biz

Dear Steve:

Greg Carlson Engineering, LLC has prepared an Engineer's Estimate of Cost for installing a 175,000 gallon storage facility on the Valle Verde system as follows:

**Preliminary Cost Estimate**  
Water Storage Site  
Valle Verde Water System

<u>Description</u>	<u>Units</u>	<u>Quantity</u>	<u>Cost/Unit</u>	<u>Cost</u>
Storage Tank	gallons	175000	\$1.00	\$175,000.00
Tank Ring	ls	1	\$2,200.00	\$2,200.00
Tank probes	ls	1	\$560.00	\$560.00
valving & meters	ls	1	\$11,000.00	\$11,000.00
Booster Pumps	each	2	\$4,100.00	\$8,200.00
5000 gallon pressure tank	gallons	1	\$28,000.00	\$28,000.00
Pressure Tank foundation	ls	1	\$2,000.00	\$2,000.00
Pressure Tank controls	ls	1	\$2,300.00	\$2,300.00
Air compressor/Air induction system	ls	1	\$3,000.00	\$3,000.00
Discharge manifold system	ls	1	\$2,700.00	\$2,700.00
Chlorination system	ls	1	\$3,400.00	\$3,400.00
Electnc / Control Panel	ls	1	\$12,100.00	\$12,100.00
<b>TOTAL COST</b>				<b>\$250,460.00</b>

**Assumptions:**

1. Tank diameter = 44 ft
2. Storage Site = 60 ft x 60 ft
3. Booster Pumps - 7.5 hp
4. Electric meter/line available at site
5. Site is level and cleared
6. Site fencing not included

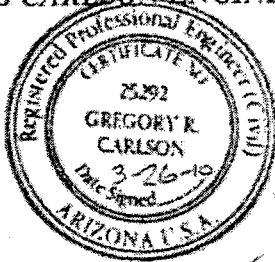
Preliminary Cost Estimate  
Valle Verde Water System  
GCE Job No. 10-023  
March 26, 2010  
Page 2 of 2

This is cost *estimate*, not a *bid* and should be used for estimating purposes only. This estimate assumes that the proposed site is accessible to construction equipment and does not require a well head connection. This cost estimate may vary significantly based upon site conditions and system requirements. This cost estimate does not include engineering costs, construction management, and taxes. Costs may increase by 50% or more depending upon pumping rate requirements, pipe distribution system connection location, site improvement requirements, land purchases, etc..

If you have any questions regarding the content of this letter, or the derivation of these costs, please contact me at (520) 624-0070.

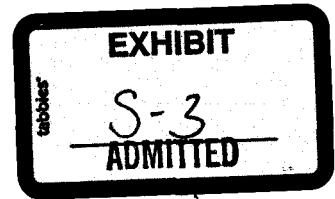
Sincerely,

**GREG CARLSON ENGINEERING, LLC**



Greg Carlson, P.E.

Exp 6-30-11



BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION OF )	DOCKET NO. W-01431A-09-0360
THE ESTATE OF WILLIAM F. RANDALL )	
DBA VALLE VERDE WATER COMPANY FOR )	
APPROVAL OF AN INCREASE IN ITS WATER )	
RATES AND THE APPLICATION OF THE )	
ESTATE OF WILLIAM F. RANDALL DBA )	
VALLE VERDE WATER COMPANY FOR )	
AUTHORITY TO INCUR LONG-TERM DEBT )	
<hr/>	DOCKET NO. W-01431A-09-0361

DIRECT  
TESTIMONY  
OF  
PEDRO M. CHAVES  
PUBLIC UTILITIES ANALYST III  
ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION

FEBRUARY 11, 2010

## SCHEDULES

Revenue Requirement .....	PMC-1
Rate Base – Original Cost .....	PMC-2
Summary of Rate Base Adjustments .....	PMC-3
Rate Base Adj. No. 1 – Removal of Pro Forma Plant .....	PMC-4
Rate Base Adj. No. 2 – Removal of Working Capital Allowance .....	PMC-5
Operating Income – Test Year and Staff Recommended .....	PMC-6
Summary of Operating Income Adjustments – Test Year .....	PMC-7
Operating Income Adj. No. 1 – Metered Water Revenue .....	PMC-8
Operating Income Adj. No. 2 – Purchased Water Expense .....	PMC-9
Operating Income Adj. No. 3 – Water Testing Expense .....	PMC-10
Operating Income Adj. No. 4 – Depreciation Expense .....	PMC-11
Operating Income Adj. No. 5 – Property Tax Expense .....	PMC-12
Rate Design .....	PMC-13
5/8-inch Meter Typical Bill Analysis .....	PMC-14
3/4-inch Meter Typical Bill Analysis .....	PMC-15

1     **I.     INTRODUCTION**

2     **Q.     Please state your name, occupation, and business address.**

3     A.     My name is Pedro M. Chaves. I am a Public Utilities Analyst employed by the Arizona  
4             Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff").  
5             My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6  
7     **Q.     Briefly describe your responsibilities as a Public Utilities Analyst.**

8     A.     In my capacity as a Public Utilities Analyst, I perform studies to estimate the cost of  
9             capital component of the overall revenue requirement calculation in rate filings. I also  
10            analyze requests for financing authorization, analyze and examine accounting, financial,  
11            statistical and other information and prepare reports based on my analyses that present  
12            Staff's recommendations to the Commission on utility revenue requirements, rate design  
13            and other financial regulatory matters.

14  
15    **Q.     Please describe your educational background and professional experience.**

16    A.     I am a graduate of Arizona State University where I received a Bachelor of Science degree  
17             in Global Business with a specialization in finance. My course of studies included classes  
18             in corporate and international finance, investments, accounting, statistics, and economics.  
19             I began employment as a Staff Public Utilities Analyst in December 2005. I have also  
20             attended the National Association of Regulatory Utility Commissioners' ("NARUC")  
21             Utility Rate School.

22  
23    **Q.     What is the scope of your testimony in this case?**

24    A.     I am presenting Staff's analysis and recommendations regarding Valle Verde Water  
25             Company's ("Valle Verde") applications for a permanent rate increase and financing

1 is managed by Southwestern Utility Management, Inc. Valle Verde provides water  
2 service to approximately 800 customers in Santa Cruz County, Arizona.

3  
4 On July 17, 2009, Valle Verde filed an application requesting a permanent rate increase.  
5 On that same date, Valle Verde filed an application requesting authorization to execute a  
6 loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA") in  
7 an amount of \$1,063,478. A Procedural Order, dated October 9, 2009, granted Staff's  
8 request to consolidate the permanent rate increase and financing applications.

9  
10 On September 29, 2009, Staff filed a sufficiency letter informing the Company that the  
11 application, together with the revisions docketed on September 11, 2009, met the  
12 sufficiency requirements as outlined in the Arizona Administrative Code R-14-2-103.

13  
14 **Q. What test year did the Company use?**

15 A. Valle Verde's rate filing is based on the twelve-month period that ended December 31,  
16 2008.

17  
18 **Q. When were Valle Verde's present rates established?**

19 A. The Commission authorized the Company's current rates in Decision No. 59553, dated  
20 March 13, 1996.

1 V. SUMMARY OF STAFF'S RATE BASE AND OPERATING INCOME  
2 ADJUSTMENTS

3 Q. Please summarize the rate base adjustments addressed in your testimony.

4 A. My testimony addresses the following issues:

5  
6 Removal of Pro Forma Plant – This adjustment decreases rate base by \$1,063,478 to  
7 remove plant that was not used and useful at the end of the test year.

8  
9 Removal of Working Capital – This adjustment decreases rate base by \$52,205 to remove  
10 a cash working capital allowance based on the formula method.

11  
12 Q. Please summarize the operating expense adjustments addressed in your testimony.

13 A. My testimony addresses the following issues:

14  
15 Metered Water Revenue – This adjustment decreases revenue by \$178,692 to reflect  
16 removal of revenue from a surcharge to be discontinued.

17  
18 Purchased Water Expense – This adjustment decreases expenses by \$187,158 to reflect  
19 Staff's removal of a non-recurring expense.

20  
21 Water Testing Expense – This adjustment decreases expenses by \$5,412 to reflect water  
22 testing costs.

23  
24 Depreciation Expense – This adjustment decreases expenses by \$55,163 to reflect  
25 application of Staff's recommended depreciation rates by account to Staff's recommended  
26 plant balances.



1 "used and useful" determination of the proposed project items was made and no particular  
2 treatment should be inferred for rate-making or rate base purposes in the future.

3  
4 **Q. What is Staff's recommendation?**

5 A. Staff recommends removing \$1,063,478 from rate base. Staff's recommendation  
6 decreases plant in service by \$1,063,478, from \$3,922,086 to \$2,858,608, as reflected in  
7 Schedules PMC-2 and PMC-3.

8  
9 **Rate Base Adjustment No. 2 – Working Capital**

10 **Q. Does the Company propose to include an allowance for work in capital?**

11 A. Yes. The Company proposes to include a working capital allowance of \$52,205 based on  
12 the formula method.

13  
14 **Q. Is the formula method an appropriate approach to estimate the working capital of a**  
15 **class "C" utility?**

16 A. No. Staff utilizes the formula method to provide an allowance for working capital to class  
17 "D" and "E" Companies. Larger companies should perform a lead-lag study to estimate  
18 their working capital.

19  
20 **Q. Did Valle Verde perform a lead-lag study?**

21 A. No, it did not.

22  
23 **Q. What is Staff's recommendation?**

24 A. Staff recommends that working capital be adjusted to \$0 from \$52,205, as shown in  
25 Schedule PMC-5.

**Operating Income Adjustment No. 3 – Water Testing Expense**

**Q. Please explain Staff's Operating Income Adjustment No. 3.**

A. Staff's adjustment decreased water testing expense by \$5,412, from \$10,447 to \$5,035, as reflected on Schedule PMC-10. Based on the data provided by the Company, Staff estimated the total average annual water testing costs for Valle Verde, as shown in Table 5 of Staff's Engineering Report.

**Q. What is Staff's recommendation?**

A. Staff recommends \$5,035 for water testing expense.

**Operating Income Adjustment No. 4 – Depreciation Expense**

**Q. Please explain Staff's Operating Expense Adjustment No. 4.**

A. Staff's adjustment decreases depreciation expense by \$55,163, from \$166,663, to \$111,500, as reflected in Schedule PMC-11.

**Q. Why does Staff's depreciation expense differ from the Company-proposed depreciation expense?**

A. Staff's calculation of depreciation expense (Schedule PMC-11) represents the application of Staff's recommended depreciation rates by plant account to Staff's recommended plant balances for those accounts. The primary difference in depreciation expense results from Staff's lower plant in service due to Staff rate base Adjustment No. 1 that removes the Company's pro forma plant from rate base. Correlating with Staff's rate base recommendation, Staff's depreciation expense excludes depreciation expense on the pro forma plant.

1     **Q.     What does Staff recommend for an increase in operating revenues?**

2     A.     Staff recommends a \$285,070 increase in operating revenues, from \$276,656, to \$561,726,  
3           as reflected in Schedules PMC-1 and PMC-6.

4  
5     **Q.     How did the Staff determine its proposed revenue requirement?**

6     A.     Staff performed a cash flow analysis to determine its proposed revenue requirement.  
7           Schedule PMC-6, Line 30, shows that Staff's recommended revenues provide pro forma  
8           cash flow of \$88,008 including debt service coverage (principal and interest) on the  
9           proposed WIFA loan. This is sufficient cash flow to cover contingencies, including the  
10          financing of additional capital improvements recommended by Staff in this proceeding.

11  
12    **Q.     Why did Staff not perform a cost of capital study?**

13    A.     The cost of capital is the opportunity cost represented by anticipated returns or earnings  
14          that are foregone by choosing one investment over others with equivalent risk. In other  
15          words, the cost of capital is the return that shareholders expect for committing their  
16          resources in a determined business enterprise. Valle Verde has negative equity; hence, a  
17          cost of capital study is not warranted. Further, Valle Verde has a negative rate base to  
18          which application of a rate of return is not meaningful.

19  
20    **Q.     What is Staff's recommendation?**

21    A.     Staff recommends total operating revenue of \$586,629, an increase of \$285,070, or 103.04  
22          percent, over test year revenue of \$276,656 to provide an operating income of \$57,295 and  
23          an operating margin of 10.20 percent, as shown in Schedules PMC-1 and PMC-6.

24

1     **X.     RATE DESIGN**

2     **Present Rate Design**

3     **Q.     Please provide an overview of Valle Verde's present rates.**

4     A.     The following is a general description of the present rate design. Details of the rate design  
5           are presented in Schedule PMC-13. The present rate design consists of monthly minimum  
6           charges that progressively increase by meter size from \$11.75 for a 5/8 x 3/4-inch meter to  
7           \$500.00 for a 6-inch meter and a two-tier commodity rate (per 1,000 gallons) for all  
8           meters of \$1.30 from 0 to 8,000 gallons and \$1.47 over 8,000 gallons.

9  
10    **Valle Verde's Proposed Water Rate Design**

11    **Q.     Please provide an overview of the Company's proposed rate structure.**

12    A.     Details of Valle Verde's proposed rate design are presented in Schedule PMC-13. The  
13           Company's proposed monthly minimum charges by meter size are as follows: 5/8 x 3/4-  
14           inch at \$30.00; 3/4-inch at \$45.00; 1-inch at \$75.00; 1 1/2-inch at \$150.00; 2-inch at  
15           \$240.00; 3-inch at \$480.00; 4-inch at \$750.00; and 6-inch at \$1,500.00. Valle Verde  
16           proposes an inverted-tier rate structure that includes three tiers for 5/8 x 3/4-inch and 3/4-  
17           inch meter customers and two tiers for all others. The recommended commodity rates for  
18           5/8 x 3/4-inch and 3/4-inch meter customers are \$3.00 per thousand gallons for 0 to 3,000  
19           gallons, \$4.50 per thousand gallons for 3,001 to 10,000 gallons, and \$5.65 per thousand  
20           gallons for any consumption over 10,000 gallons.

21  
22    **Staff's Recommended Water Rate Design**

23    **Q.     Please summarize Staff's recommended rate design.**

24    A.     Staff recommends rates and charges as presented in Schedule PMC-13. Staff's  
25           recommended monthly minimum charges by meter size are as follows: 5/8 x 3/4-inch at  
26           \$17.00; 3/4-inch at \$17.00; 1-inch at \$41.00; 1 1/2-inch at \$81.00; 2-inch at \$130.00; 3-

1 Q. What is Staff's recommendation for water system service line and meter installation  
2 charges?

3 A. Staff recommends adoption of the charges as listed under "Staff's Recommendation" in  
4 Table C of the Engineering Report and duplicated in Schedule PMC-13.  
5

6 Q. Did the Company propose any changes to its water system service charges?

7 A. Yes. The Company's proposed service charges are shown in the Company's Schedule  
8 H-3 and duplicated in Schedule PMC-13.  
9

10 Q. Does Staff agree with the Company's proposed service charges?

11 A. Yes. The service charges proposed by the Company are comparable with service charges  
12 of other Arizona water utilities.  
13

14 Q. What water system service charges does Staff recommend?

15 A. Staff's recommendations for service charges are shown in Schedule PMC-13, Page 2.  
16

17 Q. Does this conclude your direct testimony?

18 A. Yes, it does.

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Fair Value Rate Base	\$ 516,847	\$ (598,836)
2	Adjusted Operating Income/(Loss)	\$ (301,837)	\$ (225,357)
3	Current Rate of Return (L2 / L1)	-58.40%	Not Meaningful
4	Required Rate of Return	Not Used	Not Meaningful
5	Recommended Operating Margin	20.56%	10.20%
6	Required Operating Income (L5 * L11)	\$ 195,915	\$ 57,295
7	Recommended Increase in Operating Income (L6 - L2)	\$ 497,753	\$ 282,652
8	Gross Revenue Conversion Factor <sup>1</sup>	1.0000	1.0086
9	Recommended Increase in Operating Revenue (L7 * L8)	\$ 497,753	\$ 285,070
10	Adjusted Test Year Operating Revenue	\$ 455,348	\$ 276,656
11	Recommended Annual Operating Revenue (L9 + L10)	\$ 953,101	\$ 561,726
12	Required Increase in Revenue (%) (L9 / L10)	109.31%	103.04%
13	Rate of Return (L7 / L1)	37.91%	Not Meaningful

References:

Column [A]: Company Schedules A-1, B-1, C-1  
Column [B]: Staff Schedules PMC-2, PMC-6

<sup>1</sup> Staff GRCF reflects property taxes.

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) PMC-4 Pro Forma Plant Adj No. 1	(B) PMC-5 Working Capital Adj No. 2	(D) STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>					
1	Organization Cost	\$ 125			\$ 125
2	Franchise Cost	86,093			86,093
3	Land and Land Rights	500,114			500,114
4	Structures and Improvements	-			-
5	Structures and Improvements - Pumping	-			-
6	Structures and Improvements - Water Treatment	557,589			557,589
7	Wells and Springs	-			-
8	Power Generation Equipment	292,876			292,876
9	Pumping Equipment	-			-
10	Gas Pumping Equipment	11,504			11,504
11	Water Treatment Equipment	366,501			366,501
12	Distribution Reservoirs & Standpipe	579,729			579,729
13	Transmission and Distribution Mains	51,108			51,108
14	Services	-			-
15	Fire Sprinkler Taps	93,702			93,702
16	Meters and Meter Installations	35,007			35,007
17	Hydrants	-			-
18	Other Plant and Miscellaneous Equipment	16,552			16,552
19	Office Furniture and Fixtures	-			-
20	Computer Equipment	71,364			71,364
21	Transportation Equipment	-			-
22	Stores Equipment	11,729			11,729
23	Tools and Work Equipment	-			-
24	Laboratory Equipment	44,869			44,869
25	Power Operated Equipment	-			-
26	Power Operated Equipment - Backhoe	-			-
27	Communications Equipment	-			-
28	Miscellaneous Equipment	139,746			139,746
29	Other Tangible Plant	1,063,478	(1,063,478)		-
30	Pro Forma Plant	-			-
31	Total Plant in Service	\$ 3,922,086	\$ (1,063,478)	\$ -	\$ 2,858,608
32	Less: Accumulated Depreciation	(1,461,206)	-	-	(1,461,206)
33	Less: Accumulated Amortization	-	-	-	-
34	Total Accumulated Depreciation & Amortization	\$ (1,461,206)	\$ -	\$ -	\$ (1,461,206)
35	Net Plant in Service	\$ 2,460,880	\$ (1,063,478)	\$ -	\$ 1,397,402
<u>LESS:</u>					
36	Advances in Aid of Construction (AIAC)	\$ 1,518,730	\$ -	\$ -	\$ 1,518,730
37	Contributions in Aid of Construction (CIAC)	502,640	-	-	502,640
38	Less: Accumulated Amortization	(25,132)	-	-	(25,132)
39	Net CIAC	\$ 477,508	\$ -	\$ -	\$ 477,508
40	Deferred Taxes	\$ -	\$ -	\$ -	\$ -
41	Customer Deposits	\$ -	\$ -	\$ -	\$ -
<u>ADD:</u>					
42	Allowance for Working Capital	\$ 52,205	\$ -	\$ (52,205)	\$ -
43	Materials and Supplies	\$ -	\$ -	\$ -	\$ -
44	Prepayments	\$ -	\$ -	\$ -	\$ -
45	Total Rate Base	\$ 516,847	\$ (1,063,478)	\$ (52,205)	\$ (598,836)

Valle Verde Water Company  
Docket No. W-01431A-09-0360, et al  
Test Year Ended December 31, 2008

Schedule PMC-5

RATE BASE ADJUSTMENT NO. 2 - REMOVAL OF WORKING CAPITAL ALLOWANCE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Working Capital	\$ 52,205	\$ (52,205)	\$ -

References:

Column A: Cooperative Schedule B-5

Column B: Testimony

Column C: Column [A] + Column [B]



Valle Verde Water Company  
Docket No. W-01431A-09-0360, et al  
Test Year Ended December 31, 2008

## SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) Metered Water Revenue ADJ No. 1 Ref: Sch PMC-8	(C) Purchased Water Expense ADJ No. 2 Ref: Sch PMC-9	(D) Water Testing Expense ADJ No. 3 Ref: Sch PMC-10	(E) Depreciation Expense ADJ No. 4 Ref: Sch PMC-11	(F) Property Tax Expense ADJ No. 5 Ref: Sch PMC-12	(H) STAFF ADJUSTED
1	REVENUES:							
2	Metered Water Revenues	\$ 449,315	\$ (178,692)	\$	\$	\$	\$	\$ 270,623
3	Unmetered Water Revenues	-	-	-	-	-	-	\$
4	Other Water Revenues	6,033	-	-	-	-	-	\$
5	Total Revenues	\$ 455,348	\$ (178,692)	\$	\$	\$	\$	\$ 276,656
6	OPERATING EXPENSES:							
7	Salaries and Wages	\$ 71,814	\$	\$	\$	\$	\$	\$ 71,814
8	Purchased Water	187,158	-	(187,158)	-	-	-	\$
9	Chemicals	38,214	-	-	-	-	-	\$ 38,214
10	Repairs and Maintenance	919	-	-	-	-	-	\$ 919
11	Office Supplies and Expense	58,561	-	-	-	-	-	\$ 58,561
12	Outside Services	18,166	-	-	-	-	-	\$ 18,166
13	Water Testing	152,005	-	-	(5,412)	-	-	\$ 152,005
14	Rents	10,447	-	-	-	-	-	\$ 5,035
15	Transportation Expenses	10,277	-	-	-	-	-	\$ 10,277
16	Insurance - General Liability	10,940	-	-	-	-	-	\$ 10,940
17	Insurance - Health and Life	-	-	-	-	-	-	\$
18	Regulatory Commission Expense - Rate Case	8,333	-	-	-	-	-	\$ 8,333
19	Miscellaneous Expense	1,056	-	-	-	-	-	\$ 1,056
20	Depreciation Expense	166,663	-	-	-	(55,163)	-	\$ 111,500
21	Taxes Other Than Income	8,503	-	-	-	-	-	\$ 8,503
22	Property Taxes	14,129	-	-	-	-	(7,439)	\$
23	Income Tax	-	-	-	-	-	-	\$
24	Total Operating Expenses	\$ 757,185	\$ -	\$ (187,158)	\$ (5,412)	\$ (55,163)	\$ (7,439)	\$ 502,013
25	Operating Income/(Loss)	\$ (301,837)	\$ (178,692)	\$ 187,158	\$ 5,412	\$ 55,163	\$ 7,439	\$ (225,357)

OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED WATER EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Purchased Water	\$ 187,158	\$ (187,158)	\$ -

To disallow a non-recurring expense.

References:

Column A: Cooperative Schedule C-1, Page 1  
Column B: Testimony, Schedule PMC-7  
Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 4 - DEPRECIATION EXPENSE

		[A]	[B]	[C]	[D]		
Line No.	Description	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED			
1	Depreciation Expense	\$ 166,663	\$ (55,163)	\$ 111,500			
Depreciation Expense							
Line No.	Acct. No.	Description	Company Original Cost 12/31/2008	Staff Adjustment	Staff Adjusted Original Cost	Proposed Rate	Depreciation Expense
1	301	Organization	\$ -	-	\$ -	0.00%	\$ -
2	302	Franchises	125	-	125	0.00%	-
3	303	Land & Land Rights	86,093	-	86,093	0.00%	-
4	304	Structures & Improvements	500,114	-	500,114	3.33%	16,654
5	304.1	Structures & Improvements - Pumping	-	-	-	3.33%	-
6	304.2	Structures & Improvements - Water Treatment	-	-	-	3.33%	-
7	305	Collecting & Impounding Reservoirs	-	-	-	2.50%	-
8	306	Lake, River, Canal Intakes	-	-	-	2.50%	-
9	307	Wells & Springs	557,589	-	557,589	3.33%	18,568
10	308	Infiltration Galleries	-	-	-	6.67%	-
11	309	Raw Water Supply Mains	-	-	-	2.00%	-
12	310	Power Generation Equipment	-	-	-	5.00%	-
13	311	Electric Pumping Equipment	292,876	-	292,876	12.50%	36,610
14	311.1	Gas Pumping Equipment	-	-	-	12.50%	-
15	320	Water Treatment Equipment	11,504	(11,504)	-	3.33%	-
16	320.1	Water Treatment Plant	-	-	-	3.33%	-
17	320.2	Solution Chemical Feeders *	-	345	345	20.00%	-
18	320.4	Water Treatment Plant (media) - PCE removal Plant *	-	11,159	11,159	5.00%	-
19	330	Distribution Reservoirs & Standpipes	366,501	(366,501)	-	2.22%	-
20	330.1	Storage Tanks **	-	285,871	285,871	2.22%	6,346
21	330.2	Pressure Tanks **	-	80,630	80,630	5.00%	4,032
22	331	Transmission & Distrib. Mains	579,729	-	579,729	2.00%	11,595
23	333	Services	51,108	-	51,108	3.33%	1,702
24	333.1	Fire Sprinkler Taps	-	-	-	3.33%	-
25	334	Meters & Meter Installations	93,702	-	93,702	8.33%	7,805
26	335	Hydrants	35,007	-	35,007	2.00%	700
27	336	Backflow Prevention Devices	-	-	-	6.67%	-
28	339	Other Plant & Misc. Equipment	-	-	-	6.67%	-
29	340	Office Furniture & Equipment	16,552	-	16,552	6.67%	1,104
30	340.1	Computers & Software	-	-	-	20.00%	-
31	341	Transportation Equipment	71,364	-	71,364	20.00%	14,273
32	342	Stores Equipment	-	-	-	4.00%	-
33	343	Tools, Shop & Garage Equip.	11,729	-	11,729	5.00%	586
34	344	Laboratory Equipment	-	-	-	10.00%	-
35	345	Power Operated Equipment	44,869	-	44,869	5.00%	2,243
36	345.1	Power Operated Equipment - Backhoe	-	-	-	5.00%	-
37	346	Communication Equipment	-	-	-	10.00%	-
38	347	Miscellaneous Equipment	-	-	-	10.00%	-
39	348	Other Tangible Plant	139,746	-	139,746	10.00%	13,975
40		Total	\$ 2,858,608	0	\$ 2,858,608		\$ 136,192
41		Less: Non-depreciable Accounts			\$ 86,218		
42		Depreciable Plant (L35 - L36)			\$ 2,772,390		
43		Contributions-in-aid-of-Construction (CIAC)				\$ 502,640	
44		Composite CIAC Amortization Rate (Col. D, L35 / Col. B, L37)				4.9124%	
45		Less: Amortization of CIAC					\$ 24,692
46		Staff Recommended Total Depreciation Expense (L 35 - L 40)					\$ 111,500

References:

Column A: Cooperative Schedule C-1, Page 1  
Column B: Testimony, PMC  
Column C: Column [A] + Column [B]

# RATE DESIGN

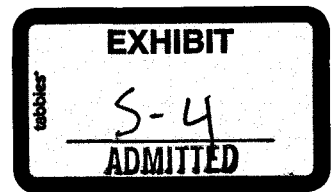
Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8 x 3/4" Meter - All Classes	\$ 11.75	\$ 30.00	\$ 17.00
3/4" Meter - All Classes	11.90	45.00	17.00
1" Meter - All Classes	20.00	75.00	41.00
1 1/2" Meter - All Classes	31.00	150.00	81.00
2" Meter - All Classes	59.65	240.00	130.00
3" Meter - All Classes	120.00	480.00	260.00
4" Meter - All Classes	250.00	750.00	405.00
6" Meter - All Classes	500.00	1,500.00	810.00
Commodity Rates			
5/8 x 3/4" Meter (Residential)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 3,000 Gallons	N/A	\$ 3.00	\$ 1.30
From 3,001 to 10,000 Gallons	N/A	\$ 4.50	\$ 2.85
Over 10,000 Gallons	N/A	\$ 5.65	\$ 3.85
3/4" Meter (Residential)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 3,000 Gallons	N/A	\$ 3.00	\$ 1.30
From 3,001 to 10,000 Gallons	N/A	\$ 4.50	\$ 2.85
Over 10,000 Gallons	N/A	\$ 5.65	\$ 3.85
5/8 x 3/4" Meter (Commercial)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 3,000 Gallons	N/A	\$ 3.00	N/A
From 3,001 to 10,000 Gallons	N/A	\$ 4.50	N/A
Over 10,000 Gallons	N/A	\$ 5.65	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$ 2.85
Over 10,000 Gallons	N/A	N/A	\$ 3.85
3/4" Meter (Commercial)			
From 0 to 8,000 Gallons	\$ 1.30		
Over 8,000 Gallons	\$ 1.47		
From 0 to 3,000 Gallons	N/A	\$ 3.00	N/A
From 3,001 to 10,000 Gallons	N/A	\$ 4.50	N/A
Over 10,000 Gallons	N/A	\$ 5.65	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$ 2.85
Over 10,000 Gallons	N/A	N/A	\$ 3.85
1" Meter (Residential, Commercial)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 15,000 Gallons	N/A	\$ 4.50	\$ 2.85
Over 15,000 Gallons	N/A	\$ 5.65	\$ 3.85
1 1/2" Meter (Res., Comm.)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 20,000 Gallons	N/A	\$ 4.50	\$ 2.85
Over 20,000 Gallons	N/A	\$ 5.65	\$ 3.85
2" Meter (Res., Comm., & Res/Comm)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 25,000 Gallons	N/A	\$ 4.50	\$ 2.85
Over 25,000 Gallons	N/A	\$ 5.65	\$ 3.85

Typical Bill Analysis  
5/8" Residential

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,550	\$ 21.57	\$ 59.48	\$ 37.91	175.79%
Median Usage	5,658	19.11	50.96	\$ 31.86	166.74%
Staff Recommended					
Average Usage	7,550	\$ 21.57	\$ 33.87	\$ 12.30	57.05%
Median Usage	5,658	19.11	28.48	\$ 9.37	49.04%

Present & Proposed Rates (Without Taxes)  
5/8" Residential

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 11.75	\$ 30.00	155.32%	\$ 17.00	44.68%
1,000	13.05	33.00	152.87%	18.30	40.23%
2,000	14.35	36.00	150.87%	19.60	36.59%
3,000	15.65	39.00	149.20%	20.90	33.55%
4,000	16.95	43.50	156.64%	23.75	40.12%
5,000	18.25	48.00	163.01%	26.60	45.75%
5,658	19.11	50.96	166.74%	28.48	49.04%
6,000	19.55	52.50	168.54%	29.45	50.64%
7,000	20.85	57.00	173.38%	32.30	54.92%
7,550	21.57	59.48	175.79%	33.87	57.05%
8,000	22.15	61.50	177.65%	35.15	58.69%
9,000	23.62	66.00	179.42%	38.00	60.88%
4,898	18.12	47.54	162.41%	26.31	45.22%
10,000	25.09	70.50	180.99%	40.85	62.81%
11,000	26.56	76.15	186.71%	44.70	68.30%
12,000	28.03	81.80	191.83%	48.55	73.21%
13,000	29.50	87.45	196.44%	52.40	77.63%
14,000	30.97	93.10	200.61%	56.25	81.63%
15,000	32.44	98.75	204.41%	60.10	85.27%
16,000	33.91	104.40	207.87%	63.95	88.59%
17,000	35.38	110.05	211.05%	67.80	91.63%
18,000	36.85	115.70	213.98%	71.65	94.44%
19,000	38.32	121.35	216.68%	75.50	97.03%
20,000	39.79	127.00	219.18%	79.35	99.42%
25,000	47.14	155.25	229.34%	98.60	109.16%
30,000	54.49	183.50	236.76%	117.85	116.28%
35,000	61.84	211.75	242.42%	137.10	121.70%
40,000	69.19	240.00	246.87%	156.35	125.97%
45,000	76.54	268.25	250.47%	175.60	129.42%
50,000	83.89	296.50	253.44%	194.85	132.27%
75,000	120.64	437.75	262.86%	291.10	141.30%
100,000	157.39	579.00	267.88%	387.35	146.11%



BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION OF )	DOCKET NO. W-01431A-09-0360
THE ESTATE OF WILLIAM F. RANDALL )	
DBA VALLE VERDE WATER COMPANY FOR )	
APPROVAL OF AN INCREASE IN ITS WATER )	
RATES AND THE APPLICATION OF THE )	
ESTATE OF WILLIAM F. RANDALL DBA )	
VALLE VERDE WATER COMPANY FOR )	
AUTHORITY TO INCUR LONG-TERM DEBT )	
<hr/>	DOCKET NO. W-01431A-09-0361

SURREBUTTAL

TESTIMONY

OF

PEDRO M. CHAVES

PUBLIC UTILITIES ANALYST III

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

APRIL 1, 2010

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## SURREBUTTAL SCHEDULES

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**EXECUTIVE SUMMARY  
VALLE VERDE WATER COMPANY  
DOCKET NOS. W-01431A-09-0360, ET AL**

The Surrebuttal Testimony of Staff witness Pedro M. Chaves addresses the following issues:

Revenue Requirement

Staff recommends a \$285,070 increase in operating revenues, from \$276,656, to \$561,726, as reflected in Surrebuttal Schedule PMC-1, which results in an operating margin of 10.20 percent, or \$57,295.

Rate Base

Staff recommends a negative \$598,836 rate base as presented in Surrebuttal Schedules PMC-2 and PMC-3. Staff continues to recommend the adjustments to rate base presented in its Direct Testimony, and duplicated in Surrebuttal Schedules PMC-4 and PMC-5.

Income Statement

Staff continues to recommend the income statement adjustments presented in its Direct Testimony, and duplicated in Surrebuttal Schedules PMC-6 through PMC-12.

Rate Design

Staff updated its rate design Schedules to correct for an error. Staff continues to recommend the rate structure presented in its Direct Testimony. Staff's rate design is presented in Surrebuttal Schedule PMC-13.



1 **I. INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Pedro M. Chaves. I am a Public Utilities Analyst employed by the Arizona  
4 Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff").  
5 My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6  
7 **Q. Are you the same Pedro M. Chaves that filed Direct Testimony in this case?**

8 A. Yes, I am.  
9

10 **Q. What matters are addressed in your Surrebuttal Testimony?**

11 A. This Surrebuttal Testimony addresses comments contained in the Rebuttal Testimony of  
12 Valle Verde Water Company's ("Valle Verde") witness Ms. Sonn Rowell. Staff also  
13 presents updated Schedules (Surrebuttal Schedules PMC-1 through PMC-15).  
14

15 **Q. Please explain how Staff's Surrebuttal Testimony is organized.**

16 A. Staff's Surrebuttal Testimony is presented in six sections. Section I is this introduction.  
17 Section II discusses the revenue requirement recommendation. Section III discusses  
18 Staff's rate base. Section IV discusses Staff's operating income. Section V discusses  
19 updates to the financing application. Lastly, Section VI discusses Staff's rate design.  
20

21 **II. REVENUE REQUIREMENT**

22 **Q. Does Staff continue to recommend the same revenue requirement as in its Direct**  
23 **Testimony?**

24 A. Yes. Staff continues to recommend a \$285,070 increase in operating revenues, from  
25 \$276,656, to \$561,726, as reflected in Surrebuttal Schedule PMC-1, which results in an  
26 operating margin of 10.20 percent, or \$57,295.

1     **III.   RATE BASE**

2     **Q.   Does Staff continue to recommend the entire rate base adjustments presented in**  
3     **Direct Testimony?**

4     A.   Yes. Staff continues to recommend the adjustments to rate base presented in its Direct  
5     Testimony, and duplicated in Surrebuttal Schedules PMC-4 and PMC-5.

6  
7     **Q.   Please summarize Staff's rate base recommendation.**

8     A.   Staff recommends a negative \$598,836 for rate base, a \$1,115,683 reduction from the  
9     Company's proposed \$516,847 rate base, as shown in Surrebuttal Schedules PMC-2 and  
10    PMC-3.

11  
12    **IV.   OPERATING INCOME**

13    **Q.   Does Staff continue to recommend all of the operating income adjustments presented**  
14    **in its Direct Testimony?**

15    A.   Yes. Staff continues to recommend the operating income adjustments presented in its  
16    Direct Testimony, and duplicated in Surrebuttal Schedules PMC-8 through PMC-12

17  
18    **Q.   Does Staff have any comments on Valle Verde's assessment that "Staff's complete**  
19    **disallowance of \$187,158 for Purchased Water during the Test Year is**  
20    **inappropriate"**<sup>1</sup> ?

21    A.   Yes. The Company proposes recovery of the cost of the test year purchased water via a  
22    10-year amortization period. As indicated by Staff in its Direct Testimony, Commission  
23    Decision No. 70098, dated December 21, 2007, approved an emergency interim surcharge  
24    to all customers of \$1.73 per 1,000 gallons for the purpose of recovering the cost of  
25    purchased water. Thus, the Company has already recovered the test year cost of

---

<sup>1</sup> Rebuttal Testimony of Ms. Sonn Rowell, page 3.

1 purchased water from ratepayers. Ratepayers should not be required to pay again for the  
2 test year purchased water cost just because the Company has not paid the water supplier.  
3 Further, the Company also will continue to recover water hauling costs as long as the  
4 surcharge remains authorized. Staff recommends retaining the surcharge until rates are  
5 established in this rate case; therefore, the disallowance of \$187,158 for purchase water  
6 during the test year is appropriate.  
7

8 **V. FINANCING APPLICATION**

9 **Q. Did Valle Verde update its financing application?**

10 A. Yes. Since Staff recommended that the Company construct a 175,000-gallon storage tank,  
11 Valle Verde requests to increase the debt authorization to include the cost of the 175,000-  
12 gallon storage tank.  
13

14 **Q. What is the cost of a 175,000-gallon storage tank?**

15 A. Staff estimates the cost of a 175,000-gallon storage tank at approximately \$214,760.  
16 Valle Verde estimates the cost of a 175,000-gallon storage tank at \$250,460.  
17

18 **Q. What does Staff recommend after reviewing the Company's rebuttal pertaining to**  
19 **the financing application?**

20 A. Staff recommends that the Commission authorize Valle Verde to incur an 18-to-22-year  
21 amortizing loan from WIFA for an amount not to exceed \$1,278,238 (\$1,063,478 +  
22 \$214,760) to finance water system improvements specified in its application, including the  
23 purchase of a centralized arsenic treatment facility and a 175,000-gallon storage tank.

1     **Q.     Did Staff update its pro forma cash flow calculation to reflect the increase in the**  
2     **recommended loan amount to allow for the cost of the new storage tank?**

3     A.     Yes, Staff updated its pro forma cash flow, in Surrebuttal Schedule PMC-6, to reflect  
4     interest expense and repayment of principal inclusive of the new storage tank. The revised  
5     cash flow analysis shows that Valle Verde will have adequate cash flow to meet the debt  
6     service obligations with Staff's recommended revenue.

7  
8     **Q.     If the Commission were to approve the Company's \$250,460 loan request for the**  
9     **175,000-gallon storage tank, would Valle Verde have adequate cash flow to meet the**  
10    **debt service obligations with Staff's recommended revenue?**

11    A.     Yes.

12  
13    **Q.     Does Staff have any other concerns regarding financing matters?**

14    A.     Yes. During the discovery process, Staff became aware of an unauthorized debt issuance.  
15     Specifically, on February 25, 2008, Valle Verde obtained a \$15,238, 60-month, 7.14  
16     percent loan from Citizens Automobile Finance to acquire a truck. The current balance of  
17     the loan is approximately \$9,800.

18  
19    **Q.     Is Valle Verde still required to request authorization of the loan?**

20    A.     Yes. A.R.S. § 40-302 states, in relevant part:

21  
22           Before a public service corporation issues stocks and stock  
23           certificates, bonds, notes and other evidences of indebtedness, it  
24           shall first secure from the commission an order authorizing such  
25           issue and stating the amount thereof, the purposes to which the issue  
26           or proceeds thereof are to be applied, and that, in the opinion of the  
27           commission, the issue is reasonably necessary or appropriate for the  
28           purposes specified in the order, pursuant to section 40-301....  
29

1 Staff concludes that the Company should request Commission authorization pertaining to  
2 the truck loan in accordance with A.R.S. §§ 40-301 and 40-302.  
3

4 **VI. RATE DESIGN**

5 **Q. Has Staff updated the rate design recommended in its Direct Testimony?**

6 A. Yes. Although Staff's recommended rate structure remains analogous to the one  
7 recommended in its Direct Testimony, Staff corrected an error in its work papers that  
8 resulted in a rate design that produced less than the recommended revenue. Staff's  
9 updated rate design is presented in Surrebuttal Schedule PMC-13.  
10

11 **Q. Did Staff update its Typical Bill Analysis Schedules?**

12 A. Yes. Staff's updated the Typical Bill Analyses for both 5/8-inch meters and 3/4-inch  
13 meters are presented on Surrebuttal Schedules PMC-14 and PMC-15, respectively.  
14

15 **Q. Does this conclude your Surrebuttal Testimony?**

16 A. Yes, it does.

**Valle Verde Water Company**

Docket No. W-01431A-09-0360, et al

Test Year Ended December 31, 2008

**SURREBUTTAL TESTIMONY OF PEDRO M. CHAVES**

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PMC- 13	RATE DESIGN
PMC- 14	5/8" TYPICAL BILL ANALYSIS
PMC- 15	3/4" TYPICAL BILL ANALYSIS

**REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Fair Value Rate Base	\$ 516,847	\$ (598,836)
2	Adjusted Operating Income/(Loss)	\$ (301,837)	\$ (225,357)
3	Current Rate of Return (L2 / L1)	-58.40%	Not Meaningful
4	Required Rate of Return	Not Used	Not Meaningful
5	Recommended Operating Margin	20.56%	10.20%
6	Required Operating Income (L5 * L11)	\$ 195,915	\$ 57,295
7	Recommended Increase in Operating Income (L6 - L2)	\$ 497,753	\$ 282,652
8	Gross Revenue Conversion Factor <sup>1</sup>	1.0000	1.0086
9	Recommended Increase in Operating Revenue (L7 * L8)	\$ 497,753	\$ 285,070
10	Adjusted Test Year Operating Revenue	\$ 455,348	\$ 276,656
11	Recommended Annual Operating Revenue (L9 + L10)	\$ 953,101	\$ 561,726
12	Required Increase in Revenue (%) (L9 / L10)	109.31%	103.04%
13	Rate of Return (L7/ L1)	37.91%	Not Meaningful

References:

Column [A]: Company Schedules A-1, B-1, C-1

Column [B]: Surrebuttal Schedules PMC-2, PMC-6

<sup>1</sup> Staff GRCF reflects property taxes.

**RATE BASE - ORIGINAL COST**

LINE NO.		[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Plant in Service	\$ 3,922,086	\$ (1,063,478)	\$ 2,858,608
2	Less: Acc Depreciation & Amortization	(1,461,206)	-	(1,461,206)
3	Net Plant in Service	<u>\$ 2,460,880</u>	<u>\$ (1,063,478)</u>	<u>\$ 1,397,402</u>
	<u>LESS:</u>			
4	Advances in Aid of Construction (AIAC)	\$ 1,518,730	\$ -	\$ 1,518,730
5	Contributions in Aid of Construction (CIAC)	\$ 502,640	\$ -	\$ 502,640
6	Less: Accumulated Amortization	(25,132)	-	(25,132)
7	Net CIAC	<u>\$ 477,508</u>	<u>\$ -</u>	<u>\$ 477,508</u>
8	Deferred Taxes	\$ -	\$ -	\$ -
9	Customer Deposits	\$ -	\$ -	\$ -
	<u>ADD:</u>			
10	Allowance for Working Capital	\$ 52,205	\$ (52,205)	\$ -
11	Materials and Supplies	\$ -	\$ -	\$ -
12	Prepayments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
13	<b>Total Rate Base</b>	<u>\$ 516,847</u>	<u>\$ (1,115,683)</u>	<u>\$ (598,836)</u>

References:

Column [A], Company Schedule B-1, Page 1  
Column [B]: Surrebuttal Schedule PMC-3  
Column [C]: Column [A] + Column [B]



SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) PMC-4 Pro Forma Plant ADJ No. 1	(C) PMC-5 Accumulated Depreciation ADJ No. 3	(D) PMC-6 Working Capital ADJ No. 2	(E) STAFF ADJUSTED
<u>PLANT IN SERVICE:</u>						
1	Organization Cost	\$ -	\$ -	\$ -	\$ -	125
2	Franchise Cost	125	-	-	-	86,093
3	Land and Land Rights	86,093	-	-	-	500,114
4	Structures and Improvements	500,114	-	-	-	-
5	Structures and Improvements - Pumping	-	-	-	-	-
6	Structures and Improvements - Water Treatment	-	-	-	-	-
7	Wells and Springs	557,589	-	-	-	557,589
8	Power Generation Equipment	-	-	-	-	-
9	Pumping Equipment	292,876	-	-	-	292,876
10	Gas Pumping Equipment	-	-	-	-	-
11	Water Treatment Equipment	11,504	-	-	-	11,504
12	Distribution Reservoirs & Standpipe	366,501	-	-	-	366,501
13	Transmission and Distribution Mains	579,729	-	-	-	579,729
14	Services	51,108	-	-	-	51,108
15	Fire Sprinkler Taps	-	-	-	-	-
16	Meters and Meter Installations	93,702	-	-	-	93,702
17	Hydrants	35,007	-	-	-	35,007
18	Other Plant and Miscellaneous Equipment	-	-	-	-	-
19	Office Furniture and Fixtures	16,552	-	-	-	16,552
20	Computer Equipment	-	-	-	-	-
21	Transportation Equipment	71,364	-	-	-	71,364
22	Stores Equipment	-	-	-	-	-
23	Tools and Work Equipment	11,729	-	-	-	11,729
24	Laboratory Equipment	-	-	-	-	-
25	Power Operated Equipment	44,869	-	-	-	44,869
26	Power Operated Equipment - Backhoe	-	-	-	-	-
27	Communications Equipment	-	-	-	-	-
28	Miscellaneous Equipment	-	-	-	-	-
29	Other Tangible Plant	139,746	-	-	-	139,746
30	Pro Forma Plant	1,063,478	(1,063,478)	-	-	-
31	Total Plant in Service	\$ 3,922,086	\$ (1,063,478)	\$ -	\$ -	\$ 2,858,608
32	Less: Accumulated Depreciation	(1,461,206)	-	-	-	(1,461,206)
33	Less: Accumulated Amortization	-	-	-	-	-
34	Total Accumulated Depreciation & Amortization	\$ (1,461,206)	\$ -	\$ -	\$ -	\$ (1,461,206)
35	Net Plant in Service	\$ 2,460,880	\$ (1,063,478)	\$ -	\$ -	\$ 1,397,402
<u>LESS:</u>						
36	Advances in Aid of Construction (AIAC)	\$ 1,518,730	\$ -	\$ -	\$ -	\$ 1,518,730
37	Contributions in Aid of Construction (CIAC)	502,640	-	-	-	502,640
38	Less: Accumulated Amortization	(25,132)	-	-	-	(25,132)
39	Net CIAC	\$ 477,508	\$ -	\$ -	\$ -	\$ 477,508
40	Deferred Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
41	Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
<u>ADD:</u>						
42	Allowance for Working Capital	\$ 52,205	\$ -	\$ -	\$ (52,205)	\$ -
43	Materials and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
44	Prepayments	\$ -	\$ -	\$ -	\$ -	\$ -
45	Total Rate Base	\$ 516,847	\$ (1,063,478)	\$ -	\$ (52,205)	\$ (598,836)

Valle Verde Water Company  
Docket No. W-01431A-09-0360, et al  
Test Year Ended December 31, 2008

Surrebuttal Schedule PMC-4

**RATE BASE ADJUSTMENT NO. 1 - REMOVAL OF PRO FORMA PLANT**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Pro Forma Plant	\$ 1,063,478	\$ (1,063,478)	\$ -

References:

Column A: Company Schedule B-2

Column B: Direct Testimony

Column C: Column [A] + Column [B]

Valle Verde Water Company  
Docket No. W-01431A-09-0360, et al  
Test Year Ended December 31, 2008

Surfbuttal Schedule PMC-5

**RATE BASE ADJUSTMENT NO. 2 - REMOVAL OF WORKING CAPITAL ALLOWANCE**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Working Capital	\$ 52,205	\$ (52,205)	\$ -

References:

Column A: Cooperative Schedule B-5

Column B: Direct Testimony

Column C: Column [A] + Column [B]

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

Line No.	DESCRIPTION	(A) COMPANY TEST YEAR AS FILED	(B) STAFF TEST YEAR ADJUSTMENTS		(C) STAFF TEST YEAR AS ADJUSTED	(D) STAFF RECOMMENDED CHANGES	(E) STAFF RECOMMENDED
<b>REVENUES:</b>							
1	Metered Water Revenues	\$ 449,315	\$ (178,692)	ADJ. No. 1	\$ 270,623	\$ 285,070	\$ 555,693
2		-	-		-	-	-
3	Unmetered Water Revenues	-	\$ -		-	-	-
4	Other Water Revenues	6,033	-		6,033	-	6,033
5	<b>Total Revenues</b>	<u>\$ 455,348</u>	<u>\$ (178,692)</u>		<u>\$ 276,656</u>	<u>\$ 285,070</u>	<u>\$ 561,726</u>
<b>OPERATING EXPENSES:</b>							
6	Salaries and Wages	\$ 71,814	\$ -		\$ 71,814	\$ -	\$ 71,814
7	Purchased Water	187,158	(187,158)	ADJ. No. 2	-	-	-
8	Purchased Power	38,214	-		38,214	-	38,214
9	Chemicals	919	-		919	-	919
10	Repairs and Maintenance	58,561	-		58,561	-	58,561
11	Office Supplies and Expense	18,166	-		18,166	-	18,166
12	Outside Services	152,005	-		152,005	-	152,005
13	Water Testing	10,447	(5,412)	ADJ. No. 3	5,035	-	5,035
14	Rents	-	-		-	-	-
15	Transportation Expenses	10,277	-		10,277	-	10,277
16	Insurance - General Liability	10,940	-		10,940	-	10,940
17	Insurance - Health and Life	-	-		-	-	-
18	Regulatory Commission Expense - Rate Case	8,333	-		8,333	-	8,333
19	Miscellaneous Expense	1,056	-		1,056	-	1,056
20	Depreciation Expense	166,663	(55,163)	ADJ. No. 4	111,500	-	111,500
21	Taxes Other Than Income	8,503	-		8,503	-	8,503
22	Property Taxes	14,129	(7,439)	ADJ. No. 5	6,690	2,418	9,108
23	Income Tax	-	-		-	-	-
24	<b>Total Operating Expense</b>	<u>\$ 757,185</u>	<u>\$ (255,172)</u>		<u>\$ 502,013</u>	<u>\$ 2,418</u>	<u>\$ 504,431</u>
25	<b>Operating Income/(Loss)</b>	<u>\$ (301,837)</u>	<u>\$ 76,480</u>		<u>\$ (225,357)</u>	<u>\$ 282,652</u>	<u>\$ 57,295</u>

Pro forma cash flow with WIFA loan

26	Plus: Depreciation Expense		111,500
27	Minus: Advance refunds		50
28	Minus: Interest expense on the WIFA loan (inclusive of a 175,000-gallon storage tank)		56,695
29	Minus: Repayment of principal on the WIFA loan (inclusive of a 175,000-gallon storage tank)		40,346
30	<b>Pro forma cash flow (L25 + L26 - L27 - L28 - L29)</b>		<u>\$ 71,704</u>
31	<b>Debt Service Coverage Ratio (L25 + L26) / (L28 + L29)</b>		1.74

References:

Column (A): Cooperative Schedule C-1, Page 1  
Column (B): Surrebuttal Schedule PMC-8  
Column (C): Column (A) + Column (B)  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Metered Water Revenue ADJ No. 1 Ref. Sch PMC-8	[C] Purchased Water Expense ADJ No. 2 Ref. Sch PMC-9	[D] Water Testing Expense ADJ No. 3 Ref. Sch PMC-10	[E] Depreciation Expense ADJ No. 4 Ref. Sch PMC-11	[F] Property Tax Expense ADJ No. 5 Ref. Sch PMC-12	[G] STAFF ADJUSTED
1	REVENUES:							
2	Metered Water Revenues	\$ 449,315	\$ (178,692)	\$ -	\$ -	\$ -	\$ -	\$ 270,623
3	Unmetered Water Revenues	-	-	-	-	-	-	-
4	Other Water Revenues	6,033	-	-	-	-	-	6,033
5	Total Revenues	\$ 455,348	\$ (178,692)	\$ -	\$ -	\$ -	\$ -	\$ 276,656
6	OPERATING EXPENSES:							
7	Salaries and Wages	\$ 71,814	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,814
8	Purchased Water	187,158	-	(187,158)	-	-	-	-
9	Chemicals	38,214	-	-	-	-	-	38,214
10	Repairs and Maintenance	919	-	-	-	-	-	919
11	Office Supplies and Expense	58,561	-	-	-	-	-	58,561
12	Outside Services	18,166	-	-	-	-	-	18,166
13	Water Testing	152,005	-	-	-	-	-	152,005
14	Rents	10,447	-	-	(5,412)	-	-	5,035
15	Transportation Expenses	-	-	-	-	-	-	-
16	Insurance - General Liability	10,277	-	-	-	-	-	10,277
17	Insurance - Health and Life	10,940	-	-	-	-	-	10,940
18	Regulatory Commission Expense - Rate Case	-	-	-	-	-	-	-
19	Miscellaneous Expense	8,333	-	-	-	-	-	8,333
20	Depreciation Expense	1,056	-	-	-	-	-	1,056
21	Taxes Other Than Income	166,663	-	-	-	(55,163)	-	111,500
22	Property Taxes	8,503	-	-	-	-	(7,439)	8,503
23	Income Tax	14,129	-	-	-	-	-	6,690
24	Total Operating Expenses	\$ 757,185	\$ -	\$ (187,158)	\$ (5,412)	\$ (55,163)	\$ (7,439)	\$ 502,013
25	Operating Income/(Loss)	\$ (301,837)	\$ (178,692)	\$ 187,158	\$ 5,412	\$ 55,163	\$ 7,439	\$ (225,357)

OPERATING INCOME ADJUSTMENT NO. 1 - METERED WATER REVENUE

Line No.	Description	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Metered Water Revenue	\$ 449,315	\$ (178,692)	\$ 270,623

To remove non-recurring surcharge revenues.

References:

Column A: Cooperative Schedule C-1, Page 1

Column B: Direct Testimony, Surrebuttal Schedule PMC-8

Column C: Column [A] + Column [B]

Valle Verde Water Company  
Docket No. W-01431A-09-0360, et al  
Test Year Ended December 31, 2008

Surrebuttal Schedule PMC-9

**OPERATING INCOME ADJUSTMENT NO. 2 - PURCHASED WATER EXPENSE**

Line No.	Description	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENT	STAFF AS ADJUSTED
1	Purchased Water	\$ 187,158	\$ (187,158)	\$ -

To disallow a non-recurring expense.

References:

Column A: Cooperative Schedule C-1, Page 1  
Column B: Direct Testimony, Surrebuttal Schedule PMC-8  
Column C: Column [A] + Column [B]

Community Water Company of Green Valley  
Docket No. W-02304A-08-0590  
Test Year Ended December 31, 2007

Surrebuttal Schedule PMC-10

**OPERATING INCOME ADJUSTMENT NO. 3 - WATER TESTING EXPENSE**

Line No.	Description	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Water Testing Expense	\$ 10,447	\$ (5,412)	\$ 5,035

References:

Column A: Cooperative Schedule C-1, Page 1  
Column B: Direct Testimony, Schedule PMC-8  
Column C: Column [A] + Column [B]



OPERATING INCOME ADJUSTMENT NO. 4 - DEPRECIATION EXPENSE

Line No.	Description	[A]	[B]	[C]	[D]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED	
1	Depreciation Expense	\$ 166,663	\$ (55,163)	\$ 111,500	

Depreciation Expense

Line No.	Acct. No.	Description	Company Original Cost 12/31/2008	Staff Adjustment	Staff Adjusted Original Cost	Proposed Rate	Depreciation Expense
1	301	Organization	\$ -	-	\$ -	0.00%	\$ -
2	302	Franchises	125	-	125	0.00%	-
3	303	Land & Land Rights	86,093	-	86,093	0.00%	-
4	304	Structures & Improvements	500,114	-	500,114	3.33%	16,654
5	304.1	Structures & Improvements - Pumping	-	-	-	3.33%	-
6	304.2	Structures & Improvements - Water Treatment	-	-	-	3.33%	-
7	305	Collecting & Impounding Reservoirs	-	-	-	2.50%	-
8	306	Lake, River, Canal Intakes	-	-	-	2.50%	-
9	307	Wells & Springs	557,589	-	557,589	3.33%	18,568
10	308	Infiltration Galleries	-	-	-	6.67%	-
11	309	Raw Water Supply Mains	-	-	-	2.00%	-
12	310	Power Generation Equipment	-	-	-	5.00%	-
13	311	Electric Pumping Equipment	292,876	-	292,876	12.50%	36,610
14	311.1	Gas Pumping Equipment	-	-	-	12.50%	-
15	320	Water Treatment Equipment	11,504	(11,504)	-	-	-
16	320.1	Water Treatment Plant	-	-	-	3.33%	-
17	320.2	Solution Chemical Feeders *	-	345	345	20.00%	-
18	320.4	Water Treatment Plant (media) - PCE removal Plant *	-	11,159	11,159	5.00%	-
19	330	Distribution Reservoirs & Standpipes	366,501	(366,501)	-	-	-
20	330.1	Storage Tanks **	-	285,871	285,871	2.22%	6,346
21	330.2	Pressure Tanks **	-	80,630	80,630	5.00%	4,032
22	331	Transmission & Distrib. Mains	579,729	-	579,729	2.00%	11,595
23	333	Services	51,108	-	51,108	3.33%	1,702
24	333.1	Fire Sprinkler Taps	-	-	-	3.33%	-
25	334	Meters & Meter Installations	93,702	-	93,702	8.33%	7,805
26	335	Hydrants	35,007	-	35,007	2.00%	700
27	336	Backflow Prevention Devices	-	-	-	6.67%	-
28	339	Other Plant & Misc. Equipment	-	-	-	6.67%	-
29	340	Office Furniture & Equipment	16,552	-	16,552	6.67%	1,104
30	340.1	Computers & Software	-	-	-	20.00%	-
31	341	Transportation Equipment	71,364	-	71,364	20.00%	14,273
32	342	Stores Equipment	-	-	-	4.00%	-
33	343	Tools, Shop & Garage Equip.	11,729	-	11,729	5.00%	586
34	344	Laboratory Equipment	-	-	-	10.00%	-
35	345	Power Operated Equipment	44,869	-	44,869	5.00%	2,243
36	345.1	Power Operated Equipment - Backhoe	-	-	-	5.00%	-
37	346	Communication Equipment	-	-	-	10.00%	-
38	347	Miscellaneous Equipment	-	-	-	10.00%	-
39	348	Other Tangible Plant	139,746	-	139,746	10.00%	13,975
40		Total	\$ 2,858,608	0	\$ 2,858,608		\$ 136,192
41		Less: Non-depreciable Accounts			\$ 86,218		
42		Depreciable Plant (L35 - L36)			\$ 2,772,390		
43		Contributions-in-aid-of-Construction (CIAC)			\$ 502,640		
44		Composite CIAC Amortization Rate (Col. D, L35 / Col. B, L37)			4.9124%		
45		Less: Amortization of CIAC					\$ 24,692
46		Staff Recommended Total Depreciation Expense (L 35 - L 40)					\$ 111,500

References:

Column A: Cooperative Schedule C-1, Page 1  
Column B: Direct Testimony, PMC  
Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 5 - PROPERTY TAXES

LINE NO.	Property Tax Calculation	[A]		[B]	
		STAFF AS ADJUSTED		STAFF RECOMMENDED	
1	Staff Adjusted Test Year Revenues - 2008	\$	276,656	\$	276,656
2	Weight Factor		2		2
3	Subtotal (Line 1 * Line 2)	\$	553,311	\$	553,311
4a	Staff Adjusted Test Year Revenues - 2008		276,656		
4b	Staff Recommended Revenue, Per Schedule PMC-1				561,726
5	Subtotal (Line 4 + Line 5)	\$	829,967	\$	1,115,037
6	Number of Years		3		3
7	Three Year Average (Line 5 / Line 6)	\$	276,656	\$	371,679
8	Department of Revenue Multiplier		2		2
9	Revenue Base Value (Line 7 * Line 8)	\$	553,311	\$	743,358
10	Plus: 10% of CWIP -		-		-
11	Less: Net Book Value of Licensed Vehicles		27,478		27,478
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$	525,833	\$	715,880
13	Assessment Ratio		21.0%		21.0%
14	Assessment Value (Line 12 * Line 13)	\$	110,425	\$	150,335
15	Composite Property Tax Rate (Per Company Schedule C-2, Page 3, Line 16)		6.0583%		6.0583%
16	Staff Proposed Property Tax Expense (Line 14 * Line 15)	\$	6,690		
17	Company Proposed Property Tax	\$	14,129		
18	Staff Test Year Adjustment (Line 16-Line 17)	\$	(7,439)		
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)			\$	9,108
20	Staff Test Year Adjusted Property Tax Expense (Line 16)			\$	6,690
21	Increase/(Decrease) to Property Tax Expense			\$	2,418
22	Increase to Property Tax Expense			\$	2,418
23	Increase in Revenue Requirement			\$	285,070
24	Decrease to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)				0.8482%
25	GRCF = (1 / (1-TR)) = 1 / (1-.015471)				1.0086

References:

Col [A]: Company Schedule C-1 Page 3  
Col [B]: Direct Testimony

# RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8 x3/4" Meter - All Classes	\$ 11.75	\$ 30.00	\$ 18.00
3/4" Meter - All Classes	11.90	45.00	18.00
1" Meter - All Classes	20.00	75.00	43.00
1½" Meter - All Classes	31.00	150.00	86.00
2" Meter - All Classes	59.65	240.00	138.00
3" Meter - All Classes	120.00	480.00	275.00
4" Meter - All Classes	250.00	750.00	429.00
6" Meter - All Classes	500.00	1,500.00	857.00
<b>Commodity Rates</b>			
5/8 x3/4" Meter (Residential)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 3,000 Gallons	N/A	\$ 3.00	\$ 1.30
From 3,001 to 10,000 Gallons	N/A	\$ 4.50	\$ 2.90
Over 10,000 Gallons	N/A	\$ 5.65	\$ 4.25
3/4" Meter (Residential)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 3,000 Gallons	N/A	\$ 3.00	\$ 1.30
From 3,001 to 10,000 Gallons	N/A	\$ 4.50	\$ 2.90
Over 10,000 Gallons	N/A	\$ 5.65	\$ 4.25
5/8 x3/4" Meter (Commercial)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 3,000 Gallons	N/A	\$ 3.00	N/A
From 3,001 to 10,000 Gallons	N/A	\$ 4.50	N/A
Over 10,000 Gallons	N/A	\$ 5.65	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$ 2.90
Over 10,000 Gallons	N/A	N/A	\$ 4.25
3/4" Meter (Commercial)			
From 0 to 8,000 Gallons	\$ 1.30		
Over 8,000 Gallons	\$ 1.47		
From 0 to 3,000 Gallons	N/A	\$ 3.00	N/A
From 3,001 to 10,000 Gallons	N/A	\$ 4.50	N/A
Over 10,000 Gallons	N/A	\$ 5.65	N/A
From 0 to 10,000 Gallons	N/A	N/A	\$ 2.90
Over 10,000 Gallons	N/A	N/A	\$ 4.25
1" Meter (Residential, Commercial)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 15,000 Gallons	N/A	\$ 4.50	\$ 2.90
Over 15,000 Gallons	N/A	\$ 5.65	\$ 4.25
1½" Meter (Res., Comm.)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 20,000 Gallons	N/A	\$ 4.50	\$ 2.90
Over 20,000 Gallons	N/A	\$ 5.65	\$ 4.25
2" Meter (Res., Comm., & Res/Comm)			
From 0 to 8,000 Gallons	\$ 1.30	N/A	N/A
Over 8,000 Gallons	\$ 1.47	N/A	N/A
From 0 to 25,000 Gallons	N/A	\$ 4.50	\$ 2.90
Over 25,000 Gallons	N/A	\$ 5.65	\$ 4.25

### RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates			Staff Recommended Rates		
3" Meter (Res., Comm.)							
From 0 to 8,000 Gallons	\$ 1.30			N/A			N/A
Over 8,000 Gallons	\$ 1.47			N/A			N/A
From 0 to 70,000 Gallons	N/A			\$ 4.50			\$ 2.90
Over 70,000 Gallons	N/A			\$ 5.65			\$ 4.25
4" Meter (Res., Comm.)							
From 0 to 8,000 Gallons	\$ 1.30			N/A			N/A
Over 8,000 Gallons	\$ 1.47			N/A			N/A
From 0 to 150,000 Gallons	N/A			\$ 4.50			\$ 2.90
Over 150,000 Gallons	N/A			\$ 5.65			\$ 4.25
6" Meter (Res., Comm.)							
From 0 to 8,000 Gallons	\$ 1.30			N/A			N/A
Over 8,000 Gallons	\$ 1.47			N/A			N/A
From 0 to 500,000 Gallons	N/A			\$ 4.50			\$ 2.90
Over 500,000 Gallons	N/A			\$ 5.65			\$ 4.25
<b>Service Line and Meter Installation Charges</b>							
	Total	Line	Meter	Total	Line	Meter	Total
5/8" x 3/4" Meter	\$ 320	\$ 445	\$ 155	\$ 600	\$ 445	\$ 155	\$ 600
3/4" Meter	360	445	255	700	445	255	700
1" Meter	420	495	315	810	495	315	810
1 1/2" Meter	635	550	525	1,075	550	525	1,075
2" Turbine Meter	1,090	830	1,045	1,875	830	1,045	1,875
2" Compound Meter	N/T	830	1,890	2,720	830	1,890	2,720
3" Turbine Meter	1,505	1,045	1,670	2,715	1,045	1,670	2,715
3" Compound Meter	N/T	1,165	2,545	3,710	1,165	2,545	3,710
4" Turbine Meter	2,380	1,490	1,737	3,227	1,490	1,737	3,227
4" Compound Meter	N/T	1,670	3,645	5,315	1,670	3,645	5,315
6" Turbine Meter	4,655	2,210	3,766	5,976	2,210	3,766	5,976
6" Compound Meter	N/T	2,330	6,920	9,250	2,330	6,920	9,250
Over 6"	N/T	N/T	N/T	N/T	Cost	Cost	Cost
<b>Service Charges</b>							
Establishment	\$ 10.00			\$ 30.00			\$ 30.00
Establishment (After Hours)	20.00			40.00			40.00
Reconnection (Deliquent)	20.00			40.00			40.00
Reconnection (Deliquent and After Hours)	N/T			50.00			50.00
Meter Test (If Correct)	35.00			35.00			35.00
Deposit	(a)			(a)			(a)
Deposit Interest	(a)			(a)			(a)
Re-Establishment (With-in 12 Months)	(b)			(b)			(b)
NSF Check	\$ 15.00			\$ 30.00			\$ 25.00
Late Charge per month	1.50%			1.50%			1.50%
Deferred Payment, Per Month	1.50%			1.50%			1.50%
Meter Re-Read (If Correct)	10.00			20.00			20.00
Monthly Service Charge for Fire Sprinkler	(c)			(c)			(d)

NT = No Tariff

(a) Per Commission Rule A.A.C. R14-2-403(B)

(b) Number of months off system times the monthly minimum, per Commission Rule A.A.C. R14-2-403(D).

(c) 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

(d) 2% of monthly minimum for a comparable sized meter connection, but no less than \$10.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

**Typical Bill Analysis**  
5/8" Residential

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,550	\$ 21.57	\$ 59.48	\$ 37.91	175.79%
Median Usage	5,658	19.11	50.96	\$ 31.86	166.74%
<b>Staff Recommended</b>					
Average Usage	7,550	\$ 21.57	\$ 35.10	\$ 13.53	62.74%
Median Usage	5,658	19.11	29.61	\$ 10.50	54.97%

**Present & Proposed Rates (Without Taxes)**  
5/8" Residential

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 11.75	\$ 30.00	155.32%	\$ 18.00	53.19%
1,000	13.05	33.00	152.87%	19.30	47.89%
2,000	14.35	36.00	150.87%	20.60	43.55%
3,000	15.65	39.00	149.20%	21.90	39.94%
4,000	16.95	43.50	156.64%	24.80	46.31%
5,000	18.25	48.00	163.01%	27.70	51.78%
5,658	19.11	50.96	166.74%	29.61	54.97%
6,000	19.55	52.50	168.54%	30.60	56.52%
7,000	20.85	57.00	173.38%	33.50	60.67%
7,550	21.57	59.48	175.79%	35.10	62.74%
8,000	22.15	61.50	177.65%	36.40	64.33%
9,000	23.62	66.00	179.42%	39.30	66.38%
4,898	18.12	47.54	162.41%	27.40	51.26%
10,000	25.09	70.50	180.99%	42.20	68.19%
11,000	26.56	76.15	186.71%	46.45	74.89%
12,000	28.03	81.80	191.83%	50.70	80.88%
13,000	29.50	87.45	196.44%	54.95	86.27%
14,000	30.97	93.10	200.61%	59.20	91.15%
15,000	32.44	98.75	204.41%	63.45	95.59%
16,000	33.91	104.40	207.87%	67.70	99.65%
17,000	35.38	110.05	211.05%	71.95	103.36%
18,000	36.85	115.70	213.98%	76.20	106.78%
19,000	38.32	121.35	216.68%	80.45	109.94%
20,000	39.79	127.00	219.18%	84.70	112.87%
25,000	47.14	155.25	229.34%	105.95	124.76%
30,000	54.49	183.50	236.76%	127.20	133.44%
35,000	61.84	211.75	242.42%	148.45	140.05%
40,000	69.19	240.00	246.87%	169.70	145.27%
45,000	76.54	268.25	250.47%	190.95	149.48%
50,000	83.89	296.50	253.44%	212.20	152.95%
75,000	120.64	437.75	262.86%	318.45	163.97%
100,000	157.39	579.00	267.88%	424.70	169.84%

**Typical Bill Analysis**  
3/4" Residential

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,433	\$ 21.56	\$ 73.95	\$ 52.39	242.94%
Median Usage	5,480	19.02	65.16	\$ 46.14	242.51%
<b>Staff Recommended</b>					
Average Usage	7,433	\$ 21.56	\$ 34.75	\$ 13.19	61.17%
Median Usage	5,480	19.02	29.09	\$ 10.07	52.91%

**Present & Proposed Rates (Without Taxes)**  
3/4" Residential

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 11.90	\$ 45.00	278.15%	\$ 18.00	51.24%
1,000	13.20	48.00	263.64%	19.30	46.19%
2,000	14.50	51.00	251.72%	20.60	42.05%
3,000	15.80	54.00	241.77%	21.90	38.59%
4,000	17.10	58.50	242.11%	24.80	45.01%
5,000	18.40	63.00	242.39%	27.70	50.53%
5,480	19.02	65.16	242.51%	29.09	52.91%
6,000	19.70	67.50	242.64%	30.60	55.32%
7,000	21.00	72.00	242.86%	33.50	59.51%
7,433	21.56	73.95	242.94%	34.75	61.17%
8,000	22.30	76.50	243.05%	36.40	63.22%
9,000	23.77	81.00	240.77%	39.30	65.32%
10,000	25.24	85.50	238.75%	42.20	67.19%
11,000	26.71	91.15	241.26%	46.45	73.90%
12,000	28.18	96.80	243.51%	50.70	79.91%
13,000	29.65	102.45	245.53%	54.95	85.32%
14,000	31.12	108.10	247.37%	59.20	90.22%
15,000	32.59	113.75	249.03%	63.45	94.68%
16,000	34.06	119.40	250.56%	67.70	98.76%
17,000	35.53	125.05	251.96%	71.95	102.50%
18,000	37.00	130.70	253.24%	76.20	105.94%
19,000	38.47	136.35	254.43%	80.45	109.12%
20,000	39.94	142.00	255.53%	84.70	112.06%
25,000	47.29	170.25	260.01%	105.95	124.04%
30,000	54.64	198.50	263.29%	127.20	132.79%
35,000	61.99	226.75	265.78%	148.45	139.47%
40,000	69.34	255.00	267.75%	169.70	144.73%
45,000	76.69	283.25	269.34%	190.95	148.99%
50,000	84.04	311.50	270.66%	212.20	152.50%
75,000	120.79	452.75	274.82%	318.45	163.64%
100,000	157.54	594.00	277.05%	424.70	169.58%